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NEWS SUMMARY

GENERAL

Shah's health improves —Sadat

The condition of the former Shah of Iran has greatly improved, according to President Sadat of Egypt.

Last week, the exiled Shah, who has cancer, was admitted to a military hospital near Cairo after suffering a relapse.

After visiting the bospital yesterday, President Sadat said: "Everything is under control. There may not be any need for a new operation."

In Tebran, nearly 500 employees of the National Iranian Oil Company have been dismissed in response to a call from Ayatollab Khomeini, Iran's revolutionary leader, for a sweeping purge of government. Page 2

Pinta plea

Farmers have asked Peter Walker, Agriculture Minister, to raise the price of a pint of milk hy 1½p to 18p on August 1. The last increase—1½p—was in February.

Rates warning

Local authority spending can be brought under control only if pay awards are restrained and councils are made more accountable to ratepayers, Bryan Righy, deputy director-general of the Confederation of British Industry, has told Michael Heseltine, Environment Secretary. Page 4: Amendments to local government Bill urged, Back Page

'No' to computer

Government plan to put on a central computer the medical records of all pre-school age children are being resisted by the British Medical Association, which fears the traditional doctor-patient trust may be threatened. Page 4

Cathedral demo

Eight demonstrators supporting the ordination of women were escorted out of St Paul's Cathedral in London after unfurling banners during a service for the ordination of 19 men.

Kagan decision

The Court of Appeal in Paris will announce on Wednesday whether Lord Kagan, former head of Kagan Textiles, is to be extradited to the UK to face criminal charges. Page 5

Sailor rescued

British sailor Peter Phillips, who took to a liferaft when his transatlantic yacht sank, was picked up by a freighter 700 miles off Cape Cod.

Ashe freed

International Red Cross worker Robert Ashe, was was made an MBE this month for his work among Kampuchean refugees, was among four Westerners freed by Vietnamese troops on the Thai-Kampuchea border.

Double spy shot

A Palestinian double agent who worked for both Israel's secret service and the Palestinian underground movement was killed in an exchange of gunfire with Israeli forces in Nablus, on the occupied West Bank. Page 2

That's showbiz

Singer Joan Meln paid A$3,000 (£1,484), plus a percentage of ticket sales, to hire the 2,700-seat Sydney Opera House concert Hall. His audience of 28 included 10 journalists attracted by a newspaper report that he had sold only one ticket.

Briefly . . .

Australian driver Alan Jones won the French Grand Prix in a Williams.

Ninety people were killed when their bus crashed into a canal near Islamabad.

BUSINESS

Economic recession 'may be longer'

● *RECESSION* is likely to persist in the British economy until nearly the end of 1981, the London Business School's Centre for Economic Forecasting warns. Inflation should decline, but unemployment is likely to continue rising for three years. Back and Page 5: The month the orders dried up Page 14, Lombard Page 12

● **DECLINING** demand for steel, which is this year expected to be 7-8 per cent below 1979, will be the prime concern of Mr. Ian MacGregor, who tomorrow becomes chairman of British Steel. Back Page

● **ELECTRICITY** supply industry expects it will have to cut planned expenditure in the current financial year by £97m to meet Government limits. Page 3

● **TUC** has called for the expansion of EEC Social Fund to provide money for training and retraining of unemployed workers. Page 6

● ***FT GROCERY PRICES*** index fell slightly in June to 128.53 from 128.79 in May, due mainly to lower-priced fruit and vegetables. Page 4

● **EXPORTS** to South Africa rose 33 per cent in the first five months of 1980 to £365m and may top £1bn by the year end.

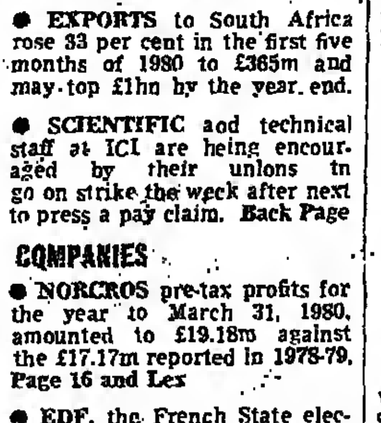
● **SCIENTIFIC** and technical staff at ICI are being encouraged by their unions to go on strike the week after next to press a pay claim. Back Page

COMPANIES

● **NORCROS** pre-tax profits for the year to March 31, 1980, amounted to £19.18m against the £17.17m reported in 1978-79. Page 16 and Lex

● **EDF**, the French State electric utility, is raising a $500m 10-year Euro-credit at a margin above interbank rates for five years of 0.35 percentage points rising then to 0.45 points. Page 17

● **ITALIAN** lira continued to lose ground and remained the weakest member of the European Monetary System last week. The French franc was again the strongest currency, followed by the Dutch guilder and the Irish punt. The guilder and Belgian franc did not appear to suffer from recent cuts in Dutch and Belgian central bank discount rates. Both have been helped, however, by the relative weakness of the D-mark, which finished the second weakest member of the system. Fears of measures to shore up the beleaguered lira created some confusion in forward trading on Friday, but an Italian devaluation is not expected at present



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

EEC to dismantle Scandinavian paper price-fixing cartel

BY GILES MERRITT IN BRUSSELS

A £450m-a-year cartel in which all the leading Scandinavian newsprint producers have combined to fix common prices in the European Community, is to be dismantled by the Brussels Commission.

After a lengthy and highly confidential investigation of the newsprint marketing arrangements of the principal Swedish, Norwegian and Finnish paper companies Brussels competition authorities are clamping down on what has been described as "the near-monopolistic pricing system" operated by these producers

Though the Scandinavian countries are not members of the EEC the companies' extensive sales network in the Community make them vulnerable to EEC action.

The commission probe has established that the 12 main newsprint concerns of the three countries channel all their EEC sales through their three national agencies and so maintain a common pricing policy.

EEC newspaper industries' imports of newsprint are dominated by the Scandinavian producers, who in turn derive about 75 per cent of their total export sales from the Community.

Commission negotiations with the Swedish and Norwegian industries, backed by Brussels' power to impose fines amounting to 10 per cent of their 1979 EEC sales of about £300m, have yielded a compromise agreement.

The Scandinavian companies, which include such giants as Svenska Cellulosa and Stora-Kopparbert, will in future sell individually.

For an interim period they are to be permitted a joint delivery agency and a joint technical service.

The Brussels authorities have warned that prices will be closely scrutinised and that if there is no competitive price divergence legal proceedings will be reopened.

Finland, which with yearly newsprint sales to the EEC of over £255m has the single largest Scandinavian newsprint industry and is the UK's chief supplier, has so far resisted commission demands for a similar agreement.

The country's half-dozen newsprint manufacturers have been grouped with 20 other paper mills in the Finnpap association since Finland's independence in 1918, and are determinedly refusing to dismantle their marketing company, Lamco Paper Sales.

Brussels has been warned of the political difficulties in Finland that further legal moves against Lamco could provoke, and the question of the country's association agreement with the EEC has been raised.

Brussels rejects Finnish claims that such co-operation is traditional, and insists that it will not sanction imports from an industry that acts as a single unit.

The commission's position is strengthened by its ability under the Rome Treaty to impose a fine of up to £25m on Lamco's operating companies inside the EEC.

That threat will shortly be underlined when Brussels announces that it is signing a joint venture between West Germany's Feldmuble and Stora-Kopparbert of Sweden.

The Brussels investigation also discovered that prices for the output of their jointly-owned paper mill at Hilte in Sweden were being illegally fixed by the two companies.

The EEC examination of newsprint pricing is not solely aimed at the Scandinavian producers. An investigation into Italian producers, who until recently supplied all Italy's newsprint and paper needs, is under way.

Commission officials say that the current purge of producer cartels, which is being extended to take in market pulp, is part of an overall plan to restructure the EEC's own paper industry.

W. German—Soviet pact ready to be signed

BY JOHNATHAN CARR IN BONN

WEST GERMANY and the Soviet Union are due to sign a detailed programme of economic and industrial co-operation during Chancellor Helmut Schmidt's visit to Moscow starting today. It is understood to include joint exploitation of nuclear power, intensified co-operation in chemicals, engineering and electronics, and exchanges of patents, licenses and know-how.

The programme may be viewed with concern by some of West Germany's allies, coming barely six months after the Soviet intervention in Afghanistan. However, Bonn has gone out of its way to keep its allies informed of its intentions, and to reassure them that it will abide by current agreements on Western trade with Moscow.

This economic element is being described in Bonn as secondary to the political aims of Herr Schmidt's trip—namely to probe the Soviet position on Afghanistan and on the intermediate-range nuclear missiles problem.

However, it is felt that the Russians may be hoping to emphasise the bilateral issues, not only by signature of the long-term accord, but by giving the green light for detailed negotiation of a big new Soviet-German natural gas deal.

Herr Schmidt is said to be determined that the broader political issues should remain foremost, and is taking care to ensure that his allies are quickly told of the results of his talks.

Herr Hans Dietrich Genscher, the Foreign Minister, who is accompanying Herr Schmidt on his two-day trip to Moscow, will then fly to Washington on Wednesday to brief the U.S. Government.

The recent talk in Venice between Herr Schmidt and President Jimmy Carter is said here to have cleared up misunderstandings between the two leaders in connection with the Moscow visit.

But the German side remains highly sensitive to charges that it is conducting "business as usual" with Moscow despite the Soviet intervention in Afghanistan. Bonn is aware that the new accord might be interpreted in precisely that light.

Determination

Until last month it was not clear that there could be any such accord—because of Afghanistan—and the text was only agreed during a visit to Bonn by a Soviet team headed by Mr. Nikolai Tikhonov, first deputy premier.

The German side stresses that nothing in the document alters Bonn's determination that no German company will take up business lost to an American one because of the Afghanistan boycott—and that Western guidelines on exports of strategic goods to the East will be strictly observed. West German-Soviet trade has risen from a total volume of less than DM 3bn (£750m) to about DM 14bn over the last decade.

Herr Schmidt will not be negotiating on the proposed natural gas deal which, the Government says, is a matter for individual German industrial companies and banks, not for Bonn.

However, officials concede that Moscow might use this occasion to give the go-ahead from its side for detailed talks on the project. This would involve construction of a DM 20bn gas pipeline from Siberia to Western Europe, with German concerns mainly involved in supplying the pipe and receiving gas in payment. Credit would be arranged through a German bank consortium.

West Germany receives some 10bn cubic metres of natural gas annually from the Soviet Union or roughly 16 per cent of its consumption. The Cabinet has agreed that the Soviet share could be increased to 30 per cent without creating excessive German dependence on the Soviet Union.

The German Government does not expect a major breakthrough in Moscow on Afghanistan. But Herr Schmidt will be probing the motives for the recent partial withdrawal of Soviet troops and seeing under what conditions Moscow could envisage total withdrawal.

W. German-U.S. relations, Page 15

Tighter Bank of Italy controls reflect worry over economy

BY PAUL BETTS IN ROME

THE BANK OF ITALY tightened controls on the growth of domestic lira credit at the weekend in a move reflecting growing anxiety over the short-term economic outlook.

Limits on the increase in domestic lending by Italian commercial banks have been extended to March 1981, while banks will now face stiffer penalties for exceeding the new domestic credit ceilings. The central bank first introduced its limits on credit expansion two years ago.

The Bank of Italy said it would carry out monthly checks on bank lending and force any bank exceeding the new ceiling to deposit part of the equivalent sum in a non-interest-bearing account with the central bank.

The average annual rate of increase of domestic credit has been limited to 21 per cent in August, 20 per cent in September, 22 per cent in October, 21 per cent in November, 27 per cent in December, 26 per cent in January 1981, 26 per cent in February and 27 per cent in March.

Any bank whose new lending exceeds this ceiling by up to 2 per cent will have to deposit 30 per cent of the equivalent sum with the Bank of Italy. For breaches of up to 4 per cent, banks must deposit the equivalent of 50 per cent, while for amounts over 4 per cent they must deposit the equivalent of 75 per cent.

The Bank said it was introducing tighter controls of credit expansion in view of the high rate of inflation, coupled with a continuing high level of internal demand and a marked deterioration in the balance of payments.

The move anticipates emergency economic measures which the Italian Government is expected to introduce at a Cabinet meeting on Wednesday.

These measures are likely to be aimed at supporting the lira, which is under growing pressure, and at aiding industry, which is losing export competitiveness. The package is expected to include a temporary and partial freeze in the highly inflationary automatic wage indexation system.

To this end the Government is to hold key talks with trade union leaders and the national employers' confederation tomorrow in an attempt to win a broad consensus before approving its emergency package on Wednesday.

The unions have already indicated they would oppose any significant changes in the indexation mechanism, and have threatened to call a General Strike against the Government should it go ahead unilaterally with its proposed measures.

Building society receipts decline

BY MICHAEL CASSELL

BUILDING SOCIETY net receipts in June have fallen to their lowest level this year.

Early estimates suggest that net receipts this month have dropped to around £170m against £225m in May. Although this figure would represent the lowest monthly total since last December, when receipts fell to £161m, it would still show an improvement on the £125m recorded in June, 1979.

The further reduction in an already disappointing run of monthly figures is largely due to heavy withdrawals made to finance holiday expenditure which, as such, was expected by the societies.

But, despite the poor flow of net receipts, the societies have been maintaining lending at high levels. Advances have been running at a rate between £700m and £800m a month; and this trend is likely to continue, despite the poor inflow of deposits, as societies draw on liquid funds to maintain their lending programme.

Reports of an easing in the mortgage situation are becoming more widespread and many societies say that demand for loans has been significantly reduced in recent weeks. High interest rates and growing concern over prospects for incomes are given as the major causes and some societies say that many people who could afford to move homes are preferring to wait because of the general economic uncertainties.

There are even indications that some building society branches are now finding it difficult to lend out their entire mortgage quotas, a situation which the societies have rarely experienced in recent years. The long queues for loans which characterised the market until the early part of 1980 have gone as the number of house sale transactions has declined.

Societies are now waiting for a fall in interest rates generally —which they expect will lead to an improvement in the inflow of funds.

If interest rates in the economy fall only marginally over the next few months, the societies are likely to resist any pressure to follow—whatever the immediate level of mortgage demand. A substantial drop in interest rates would, however, see the societies following, although they are anxious to establish a wider competitive edge over other deposit-taking institutions

Big Increase in loans by banks to home buyers, Page 4

ELECTION FEVER IN CONGRESS

Miller hints at $25bn U.S. tax cut

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

MR. G. WILLIAM MILLER, Secretary of the U.S. Treasury, hinted broadly yesterday that President Jimmy Carter would accept a $20bn to $25bn (£8.5bn to £10.7bn) income tax cut so long as it was not implemented before the start of next year.

In a television interview, Mr. Miller sharply denounced as "a Barnum and Bailey circus" last week's 10 per cent across-the-board tax reduction package in 1981 advanced by Mr. Ronald Reagan, Republican presidential candidate-apparent: Mr. Miller charged that Mr. Reagan was irresponsibly trying to buy votes "with gimmicks."

Any tax cut, the Treasury Secretary said, should be carefully drawn up and aim to offer maximum help to the economy. It should not be put into effect until Congress had shown itself willing and able to control Federal spending and thereby reduce inflationary expectations.

Tomorrow Mr. Carter is due to confer in the White House with the Congressional Democratic hierarchy on ways of cooling, or, if necessary, harnessing, the tax-cut fever sweeping Capitol Hill as the imminence of the election and the sharpness of the recession have become felt.

At the end of last week, Democrats in the Senate, clearly put on the defensive by Mr. Reagan's tax initiative and by the vigour with which their Republican colleagues threatened to ram it through, were forced to promise to draw up their own Bill in September.

The Administration has already begun work on its own package but is unwilling to discuss details until its mid-year economic review is completed next month, and until it has a clearer idea whether or not Congress will abide by the budgetary ceilings adopted only a month ago.

Ironically, it is probable that whatever the Administration or Congress comes up with will be similar in total amounts, if not in component parts, to Mr. Reagan's proposal.

The tax-cut issue has become more of a political than an economic football. The sharpness of the current recession has narrowed the range of economic arguments, from whether or not there ought to be a tax reduction, bearing in mind the potential inflationary consequences, to its size and the disposition of its benefits among individuals and corporations.

But the politicians are literally falling over each other to claim authorship rights. Mr. Reagan's own proposal was a fairly naked attempt to pre-empt President Carter's own prerogatives. But it was a doubly effective ploy because it not only put Administration and Democrats in Congress on the defensive but disguised the fact that Mr. Reagan was in reality retreating from his earlier advocacy of a more swingeing tax-cut programme.

Congress is in a notoriously fickle mood as it pays increasing heed to the electorate. This was perfectly illustrated last Friday when the House of Representatives voted heavily in favour of recommitting for further study the President's proposed Energy Mobilisation Board. The board would have been empowered to cut through bureaucratic and legal obstacles in pursuit of development of alternative energy sources.

Reason

Neither Administration officials nor the floor-managers of the House Bill had foreseen that the unlikely coalition of conservatives, environmentalists and States-righters would be so effective. After all, earlier this month, Congress had given the President an equally controversial leg of his energy policy by passing the Synthetic Fuels Bill.

Mr. Carter, who has few firm friends on Capitol Hill anyway, has now good reason to be nervous about the skittish behaviour of the present session of Congress. Over the weekend the Senate passed a supplemental Appropriations Bill. It was loaded with funding for special projects which makes some mockery of the recent staunch determination to balance the budget.

Although this may partly reflect the growing realisation that the recession has made balancing the budget unattainable, it also smacks of traditional election year "pork-barrel" politics.

It is now conceivable that, like it or not, Mr. Carter will find himself embroiled in a tax debate in Congress in the autumn at precisely that time when he would rather be trying to slay the Reagan dragon by making his probably opponent the main issue in the presidential campaign.

CONTENTS

For latest Share Index phone 01-246 8026

OVERSEAS NEWS

Iranian oil group sacks 485 as Khomeini orders purge

BY PATRICK COCKBURN

ALMOST 500 employees of the National Iranian Oil Company (NIOC) were dismissed yesterday in response to a call from Ayatollah Khomeini, Iran's revolutionary leader, for a sweeping purge of government. Other ministries have given orders for a purge of officials tainted by the Shah's rule or who are showing insufficient zeal for the Islamic republic.

Ayatollah Khomeini appears to consider such elements to be responsible for the paralysis of government through persistent obstruction.

"If it is the minister himself, get hold of him and dismiss him," he told President Abolhassan Bani-Sadr and the ruling Revolutionary Council on Saturday.

Since the revolution NIOC, which controls Iran's crucial oil sector, has been less affected by purges than other state bodies.

Some 700 of its employees have been investigated, of whom 485 were dismissed yesterday after being accused of having connections with Savak, the former Shah's secret police, being deputies in Parliament before the revolution or some other link with the old regime. Being a freemason is also considered sufficient reason for dismissal.

This renewal of Islamic and revolutionary fervour at the behest of Ayatollah Khomeini is weakening the more moderate position of President Bani-Sadr. Many of those likely to be dismissed had looked to him for protection.

Defending himself in an interview broadcast yesterday, Mr. Bani-Sadr said that "none of the ministers now in office were chosen by me and I take no responsibility for their actions." If Ayatollah Khomeini wanted him to create an effective administration, he must be given real authority. The President announced on Saturday that the Ayatollah already had his undated letter of resignation.

Since Iran's universities were closed on June 4, many Government officials and the educated middle class in general have begun to question President Bani-Sadr's ability to act as a moderating force or win his power struggle with the hardline clergy of the Islamic Republican Party. The new purges will reinforce their doubts.

● Iran has made no new approaches to Japan to resume the sale of oil, Mr. Ali Akbar Moinfar, Iran's Oil Minister, said yesterday. Before Iran increased the price of its oil in April Japanese companies purchased 510,000 barrels a day of Iranian crude.

Reuter adds: President Bani-Sadr yesterday appointed a new commander of Iran's revolutionary guards, the controversial militia formed after the fall of the Shah. The President named him as Kazem Bojnourdi, and said he had been presented to Ayatollah Khomeini.

Mr. Bojnourdi's predecessor, Abu Sharif, offered his resignation on June 16 after guards were heavily criticised for firing into a crowd during riots near the occupied American embassy in Tehran. Mr. Bani-Sadri said Mr. Sharif had been demoted to deputy commander.

THE condition of the former Shah of Iran, in exile in Egypt had yesterday improved greatly, according to President Sadat of Egypt after flying to Cairo from Alexandria following reports that the ex-Shah, who is suffering from cancer, had suffered a relapse, reports Roger Matthews from Cairo. On Friday the Shah was taken to the Maadi military hospital south of the capital and medical sources then suggested that he had pneumonia. "Everything is under control," said Mr. Sadat yesterday, however "and there may not be any need for a new operation."

Patronat kidnap 'not political'

BY DAVID WHITE IN PARIS

FRENCH POLICE yesterday appeared to be discounting the theory that a terrorist organisation was involved in the kidnapping of M. Michel Maury-Laribiere, a vice-president of the Patronat (France's employers' federation), on a country road on Saturday.

Fears that the crime might be the beginning of a political kidnap campaign on Italian lines were sparked off when an anonymous caller claimed responsibility on behalf of Direct Action, the French terrorist group most closely linked to Italy's Red Brigades.

But a second caller to the same news agency denied that Direct Action was involved. The caller also disclaimed responsibility for a recent explosion at Paris Orly airport, which had been attributed to the organisation.

M. Maury-Laribiere's Citroen car was found on Saturday morning on a farm track off the road he took to drive unaccompanied from his home at Confolens in western central France to his factory 10 miles away.

A note found inside the car demanded FFr 3m (£310,000) in ransom and instructed the kidnapped man's family not to contact the police or the Press.

It was not until late that night that the claim was made on behalf of Direct Action demanding 10 times the sum and the release of members of the organisation arrested in March this year.

The crime recalled the kidnap two-and-a-half years ago, of Baron Edouard-Jean Empain, the Belgian head of the French Empain-Schneider engineering, steel and nuclear group. A number of claims made by political organisations were known to be spurious. The Baron was later released after being kept captive in appalling conditions.

M. Maury-Laribiere, one of the top nine men at the Patronat, is little known on a national scale and his role in the federation is an internal one, liaising between local employers' organisations. He could not be considered a figurehead of the importance of Herr Hanns-Martin Schleyer, the West German employers' leader kidnapped and murdered by the Baader-Meinhof Red Army Faction in 1977.

The 59-year-old M. Maury-Laribiere owns a successful brick and tile business, which has grown in the last eight years from a turnover of about FFr5m to FFr80m a year. A reputation as a progressive employer with a profit-sharing scheme for his 300 employees, helped secure him his place in the Patronate two years ago.

Tass hits at French plan on neutron bomb

By David Satter in Moscow

THE Soviet Union yesterday indicated its disapproval of French testing of the neutron bomb by quoting an article in the French communist newspaper l'Humanite which said that the weapon would attach France more closely to NATO and intensify the arms race.

The Soviet news agency Tass, in a dispatch also read over Soviet television, quoted l'Humanite as saying it would please Washington and NATO for France to assume a burden which the U.S. had found difficult to bear.

M. Valery Giscard d'Estaing, the French President, has been praised in the Soviet press as a champion of detente since his meeting last month in Warsaw with Mr. Leonid Brezhnev, the Soviet President.

S. Yemen leader in Riyadh

BY IHSAN HIJAZI IN BEIRUT

A STATE VISIT to Saudi Arabia by President Ali Nasser Mohammed of South Yemen, which began on Saturday, could produce a new era of co-operation in the Arabian peninsula, Arab diplomats here believe.

The visit provides a rare opportunity for talks between conservative Saudi leadership and their counterparts in Marxist South Yemen on bilateral relations, developments in the Gulf region and the Middle East as a whole.

Mr. Mohammed's rise to the highest post in Aden last April made contact with Saudi Arabia easier than it would have been under former South Yemen President Abdel Fattah Ismail.

The Saudi invitation was sent to Mr. Ismail but the visit did not materialise while he was in office. The Saudis regard President Mohammed as more flexible than the more ideologically Marxist Mr. Ismail.

Analysts believe that while the Saudis want to contain the spread of Marxism from Aden into the peninsula and the Gulf region, the South Yemenis are eager to secure financial and economic aid.

Mr. Mohammed was reported to be carrying assurances to King Khaled that the treaty of friendship between Aden and Moscow, concluded last year, posed no threat to Saudi Arabia. He was also expected to play down the significance of the presence of Soviet and East European military and other technicians in his country.

Arab diplomats say Mr. Mohammed will try to persuade the Saudis to support the efforts towards reunification of North and South Yemen. Riyadh maintained a close working relationship with the regime of President Ali Abdullah Saleh in Sanaa.

Police sent to another rebel island

Police reinforcements flew to the island of Malekula yesterday amid fears of a new revolt by opponents of the New Hebrides government, Reuter reports from Vila.

"There have been rumours that some members of the opposition are planning to take the same sort of action as some others did on Tanna," said Father Walter Lini, the Chief Minister and "the District Commissioner requested extra police protection."

Father Lini declined to say how many men had been sent to Malekula, which lies between Efate, the island on which Vila stands, and Espiritu Santo where secessionists led by self-proclaimed Chief Jimmy Stevens rebelled against the government last month.

Another squad of French police was heading for Malekula by sea and would arrive today, he said.

Malekula is the fourth island on which trouble has been reported after the revolt on Espiritu Santo. 200 Secessionists attempted to storm the offices of the central government on Tanna on June 11, and there have been reports that the secessionist movement has spread to the island of Aoba.

Chemicals, cancer link

Workers exposed to toxic chemicals account for more than 20 per cent of all cancer cases in the U.S., President Jimmy Carter's chief environmental adviser said at the weekend, Reuter reports from Washington.

Mr. Gus Speth, chairman of the President's Council on Environmental Quality, said in releasing a council report on toxic chemicals and public protection that: "We estimate that occupational exposure to carcinogens (substances causing cancer) is a factor in more than 20 per cent of all cancers."

More than 400,000 people in the U.S. die of cancer each year. It is second to heart disease as a cause of death in the nation, the report said, calling for legislation to clean up hazardous waste sites, remove barriers to Governmental sharing of confidential data, supply Government funds to regulate toxic chemicals, and strengthen federal authority over cosmetics.

Canada oil hope

The border area between Alberta and British Columbia, near Grande Prairie, Alberta, could produce substantial quantities of oil, according to Dome Petroleum, the Canadian oil and gas group. It believes they could have 250m barrels of recoverable reserves, Robert Gibbens writes from Montreal. The area is already recognised as being rich in gas.

West Bank 'double agent' killed

BY DAVID LENNON IN TEL AVIV

A PALESTINIAN double agent who worked both for the Israeli secret service and the Palestinian underground was killed by Israeli forces in Nablus, on the occupied West Bank, at the weekend. The dead man, Mr. Bassam Mohammed Habash, was believed by the Israeli authorities to have murdered his Israeli secret service contact, Mr. Moshe Golan, last Wednesday.

Following Mr. Golan's murder Israeli forces imposed a tight curfew on the Balata refugee camp, near Nablus, where the double agent lived. He died in an exchange of fire after being spotted and trying to avoid capture.

Today, meanwhile, the coalition Government of Mr. Menahem Begin faces its toughest challenge since assuming power three years ago, when the Knesset votes on an opposition Bill to dissolve Parliament and hold elections.

General elections are not due until November 1981, but there have been an increasing number of calls for the polls to be brought forward as the poularity of the Begin Government has fallen. Recent opinion polls show that the ruling Likud Party would lose half its seats if new elections were held soon.

The coalition command a theoretical 63 seats out of the 120 in the Knesset. But a number of the Government's nominal supporters are likely to abstain from today's vote or to absent themselves from the chamber.

The opposition though, could by last night be sure of only 53 votes against the Government.

POPE JOHN PAUL VISITS BRAZIL

A Church divided

BY DIANA SMITH IN BRASILIA

POPE JOHN PAUL today begins his tour of Brazil, which will take him to 13 cities in 10 days. In Brasilia, the capital where the Pope begins his visit, shop windows are bedecked with Papal photographs and an enormous altar has been built in the central esplanade, at what could be called a diplomatic point between the cathedral and the Congress. A million people are expected to come from surrounding States to see the Pontiff.

In Sao Paulo state, the shrine of Aparecida do Norte, normally a small town of 30,000 inhabitants, is bracing itself for up to 3m pilgrims, of whom only a fraction will catch a glimpse of the Pope.

Brazil is theoretically the largest Roman Catholic country in the world, with 120m inhabitants, most of whom, at least nominally, are Catholic. But the dividing line between the rites of Candoble, inherited from African slaves, and formal Catholicism are often unclear.

It is impossible to be sure whether votive candles in churches have been offered to a Roman Catholic saint or to one of the less orthodox spirits worshipped by millions of blacks, half-castes and whites.

Pope John Paul

At night in Brasilia clusters of candles flicker at the crossroad, where, according to the beliefs of Candoble, the spirits gather and must be pacified.

The Roman Catholic church in Brazil—divided between dogmatic conservatives and innovative priests who work in urban and rural areas with the underprivileged—also has strong competition from protestants, Mormons, Jehovah's Witnesses, Seventh Day Adventists. Presbyterians and Bible-belt Baptists proselytise energetically, and have won many converts among the poorer citizens.

The sad cycle of huge families—in Pernambuco, for instance, the average family has 14 children—insufficient food or gainful employment, abandonment of minors and private or public violence is particularly visible in Brazil. How to encourage family planning in the face of church opposition is a running debate which the Pope's visit will highlight.

While the Church frowns on artificial birth control, Brazil is the fourth-largest user of the pill in the world.

WORLD TRADE NEWS

UK exports to S. Africa up 33%

BY QUENTIN PEEL IN JOHANNESBURG

BRITISH exports to South Africa are booming, according to the latest trade figures, and the gathering momentum of South African economic recovery is likely to give them a further boost in the coming year.

In the first five months of 1980, British exports to South Africa rose by 33 per cent to £365m. Trade official believe that exports for the year should top £1bn, compared with 713.5m in 1979.

In spite of its political sensitivity, South Africa is clearly an increasingly attractive market for suppliers because of its economic growth at a time of world recession. Forecasts for the present year put the real growth of GDP at between 5 and 6 per cent. Imports are expected to grow at a considerably faster rate because of supply bottlenecks in the domestic economy, such as skilled labour shortages.

According to South African figures for merchandise trade—excluding gold bullion exports and oil and military purchases—imports from Britain rose just over 20 per cent in 1979 to R1.25bn (£690m). This rise was only bettered by the U.S. with a 25 per cent increase to R1.24bn (£685m). Both countries did substantially better than the overall 12 per cent increase in South African imports.

West Germany retained its position as South Africa's principal source of imports with R1.31bn (£123m) during the year but its share of the market fell from 20.4 to 18.7 per cent.

In terms of overall trade, reflecting the combined total of exports and imports, the U.S. remained South Africa's most important partner, with a total of R2.64bn (£1.45bn) followed by West Germany at R2.218bn and Britain at R2.217bn.

Over the year, the most startling change was in Switzerland's position as an importer from South Africa, raising its position from fifth to first by importing goods worth R1.54bn—an increase of more than 230 per cent on the previous year.

The increase was accounted for by the switch in South African diamond sales from London to Zurich. That switch also showed up as a sharp drop in Britain's imports from Britain's imports from South Africa in 1979—down 23 per cent to R964m (£532.6m).

Principal British exports to South Africa were industrial plant and machinery, electrical machinery, power generation equipment, office machines, chemicals and plastics, road vehicles, parts and accessories. Consumer goods are relatively unimportant.

Invisibles are also a major element: in 1977, the last year for which figures are available, South African service payments to the UK totalled R958m, while service receipts were only R291m.

In spite of the improvement in British exports, trade officials in Johannesburg believe that few new exporters have come into the market, the increased trade reflecting traditional suppliers regaining their market shares. The big increase in U.S. exports also comes against the background of the sharp fall which foiled tighter U.S. Government restrictions on exports to any South African Government agency.

One reason for the sluggish performance of West German exports in 1979 was the hiatus in supplies to the Sasol oil-from-coal plants, before construction work starts on the Sasol 3 plant. British exports were undoubtedly boosted by the huge turbine orders won by GEC for the Duvha and Tutuka power stations.

Engineering industry criticises BOTB cuts

By Our World Trade Staff

THE RECENTLY announced reductions in the financial support given by the British Overseas Trade Board (BOTB) to exhibitors at overseas trade fairs and participants in outward trade missions have been strongly criticised by the Engineering Industries Association (EIA). It has conveyed its views in a letter to the BOTB as part of a campaign to get the cuts restored.

The association's national export committee is particularly concerned at the new basis for charges at overseas trade fairs which, from April 1 1981 will rise from the present £25 per square metre to £30, with a sliding scale of £15 for first-time participants and £20 for second-timers. This replaces the present arrangement under which both first and second time exhibitors at a given event receive a 50 per cent discount at BOTB-assisted joint ventures.

The export committee's chairman, Major-General J. D. B. Smith, chairman and chief executive of Pillar Engineering, a member of the RTZ group, said "The EIA believes that the 50 per cent discount for first and second-time participants should be retained. The first participation is exploratory when it is very unusual to get a firm foothold in a market." It is at the second, participation that a company establishes itself in a market."

The EIA is equally concerned at the decision to reduce BOTB-assisted outward missions by about one-half from next April.

"British exporters are currently losing export markets because of the high pound, which is based on North Sea oil and bears no relation to reality." Major-General Smith commented. They need more, rather than less, direct government support for outward missions.

Since the BOTB's outward mission scheme was started in 1966, EIA has sent some 3,000 companies overseas on missions, which, he said, have brought back estimated and actual orders amounting to around £600m.

● The British Consultants Bureau is to send a mission to Peru, from November 11-18 this year to coincide with the Pacific International Trade Fair, which opens in Lima on November 14. It is intended that the mission will make contacts to help British consultants secure appointments in other South American countries as well as in Peru.

The mission, which has the approval and support of the Department of Trade, will consist of around 15 members representing civil engineers, architects, surveyors, management consultants, agricultural consultants, geological consultants and others.

Higher prices boost Soviet oil, gas earnings in West

BY DAVID SATTER IN MOSCOW

UNDER THE influence of steadily rising world energy prices, the value of Soviet oil and gas exports increased dramatically last year. Oil and gas sales accounted for more than 60 per cent of Soviet export earnings in the West.

The Soviet Foreign Trade handbook for 1979 showed that overall Soviet oil and natural gas export earnings totalled roubles 16.61bn (£11.45bn), a 44 per cent rise over the 1978 total of roubles 11.52bn.

Of this total, roubles 7.74bn was accounted for by oil and gas exports to the West. This was an increase of 57 per cent over the value of sales to the West in 1978 which amounted to roubles 4.93bn, and represented 47 per cent of total earnings.

The Soviet Union charges world market prices to its Western customers while offering preferential rates to its partners in Comecon so the volume of Soviet oil and gas exports to the West, for which no figures were given, was probably lower than the value figure would indicate.

The growing economic importance of Soviet oil and gas supplies to the West was indicated however, by the fact that these deliveries accounted for 62 per cent of the value of Soviet exports to the hard currency areas in 1979 compared with only 57 per cent in 1978.

West Germany remained the largest Western customer for Soviet oil with purchases of Roubles 1.15bn for oil and Roubles 386m for gas. Other major Western customers were Finland, France and Italy.

In the Third World, the largest buyer of Soviet oil was India, with purchases valued at Roubles 403m, almost twice the value of Indian purchases in 1978.

The bulk of Soviet oil exports both in value and volume terms, however, continued to go to Comecon countries where the biggest customers were East Germany, Czechoslovakia and Poland.

Reuter reports from Vienna: The Soviet Union seems set to increase dramatically its natural gas prices for Western customers according to Ruhrgas board member Herr Friedrich Spaeth. He said that the Soviets appear set to change their gas price calculations from parity with heating oil prices to parity with the more expensive high-quality types of oil.

But he added that Moscow has not yet made any price proposals in its price proposals in its negotiations with West European companies on planned exports of 40bn cubic metres a year by the mid 1930s. West Germany, France, Italy, Belgium and Austria are participating in these gas negotiations.

French win $250m contract in Gambia

PARIS — A consortium of French companies has won a contract worth $250m for a package of construction projects in Gambia.

The contract includes the construction of six industrial complexes, setting up shipping lines between Dakar and Abidjan and the supply of four ships, improving facilities at the port of the capital of Banjul, and the construction there of warehouses, 3,000 Government-subsidised housing units, 250 vacation bungalows, a tourist complex and a 400-room hotel.

Included in the French consortium are Omnium Technique Europeen, Seri-Renault (a design and construction unit of the Renault group) and Societe Parisot, which specialises in modular housing units.

Financing for the projects has not been completed, but the African Investment Bank and the Bank for International Reconstruction and Development (BIRD) are expected to make substantial contributions.

Meanwhile Thomson-CSF, in association with Telspace, a joint subsidiary with CIT-Alcatel has been awarded a FFr 276m (£28.7m) turnkey contract to set up a satellite telecommunications network for Niger. Work will begin next March

Thomson-CSF will supply and set up a ground station linked to the Telspace satellite over the Atlantic Ocean, as well as four other regional ground stations. Telspace will set up a 275-kilometre microwave link between Agadez and Arlit and a CP-400 telephone exchange at Arlit.

AP-DJ

Brazil May surplus falls short of forecast

By Diana Smith in Brasilia

AFTER four successive monthly trade deficits Brazil achieved a trade surplus of $10m in May. But this is considerably less than the $48m surplus originally forecast by Treasury Minister Sr. Ernane Galveas. Exports totalled $1.94bn and imports $1.93bn.

The May surplus reduced the trade deficit for the first five months of this year to $1.81bn but compares with a trade gap of $606.9m for the same period last year. Imports rose 50.1 per cent to $9.35bn with oil accounting for $4bn, representing a 106.4 per cent increase on the oil import total a year previously.

Exports were up 34 per cent in the first five months of this year at $7.54bn. Better coffee sales boosted exports with sales up 74 per cent at $663m. By the end of the year the Brazilian authorities hope that coffee sales will have earned between $2.5bn and $3bn.

Textile imports hit Swiss

BY BRIJ KHINDARIA IN GENEVA

SWISS TEXTILE and clothing exports to European countries have increased significantly. But turnover in the home market has fallen, fuelling complaints by manufacturers that cheap imports from Eastern Europe and some Asian countries are providing unfair competition.

Foreign demand for Swiss textile products increased by 20 per cent last year while domestic demand fell by about 3 per cent. But the first quarter of this year showed an improved overall performance. Total sales for both home and foreign consumption rose by 6 per cent compared with the same period last year, while production rose by 4 per cent, and exports by 19 per cent.

The sharpest increases in exports were to Italy, which took 59 per cent more, while France took an additional 47 per cent and Austria 42.5 per cent.

Imports, however, increased by 132 per cent, mainly from Eastern Europe, Latin America and Asia. The Swiss textile industry's response to rising imports and a strong Swiss franc has so far been to improve management methods and labour productivity.

ITC to probe car imports

WASHINGTON — The U.S. International Trade Commission (ITC) has agreed to investigate the complaint by the United Auto Workers Union that the U.S. car industry is being injured by imports. Reuter reports.

The bearing on whether imports are injuring the U.S. industry is scheduled for October 7.

SHIPPING REPORT

Market fails to live up to expectations

BY LYNTON McLAIN

THE HIGH expectations of tanker owners over a week ago that the market was heading for a period of buoyancy and stability had not been fulfilled by the end of last week.

Brokers said inquiries for large vessels had slowed sharply and tanker owners resorted to "part chartering" to gain some return on their investment.

However, the market was generally uncertain about the cause of the slump in business. It was suggested that trade may have been in a transitional period caused by higher oil prices and the increase in the tanker industry's "Worldscale" charter rates from July 1.

Reports from the main loading areas suggested that there was sufficient interest in further immediate loadings of crude oil ... tanker ... tonnage

But the picture last week showed that the Gulf, the previous week's active zone for tanker loadings, was quiet.

One French charterer secured a 270,000-ton vessel for trade between the Gulf and Europe at Worldscale 37.5, on the January to June Worldscale schedule of rates.

A number of ultra large crude carriers (ULCCs) are now arriving in the Middle East in the hope of attracting charters.

West Africa was the more active market last week, with very large crude carriers (VLCCs) being chartered on a full- or part-cargo basis. The main destinations of the crude oil were the U.S. Atlantic coast, the U.S. Gulf and Europe.

The Mediterranean market was also active, but trade was slow in the Caribbean.

The tanker sales' market last week included the disposal of the M. T. Wilstar, 132,700 deadweight tons, built in Japan in 1967 and now understood to have been sold for $9.2m to Nigeria for use as a floating storage vessel.

● American President Lines has started a regular scheduled container service linking China and ports in North America and Asia. The China Merchant Navigation Company is to provide a common carrier service between ports in China and Hong Kong. This will connect with American President's weekly containership service to the U.S. and Asia.

World Economic Indicators

RETAIL PRICES

	May '80	Apr. '80	Mar. '80	May '79	% change over previous year	Index base year
UK	263.2	260.8	252.2	215.9	21.9	1974=100
U.S.	244.8	242.6	240.4	214.0	14.4	1967=100
Italy	186.1	180.0	177.2	150.4	20.7	1976=100
W. Germany	116.2	115.6	114.9	109.7	5.9	1976=100
Holland	133.2	132.9	131.4	124.9	6.6	1975=100
France	247.2	245.0	242.1	217.4	13.7	1970=100
	Apr. '80	Mar. '80	Feb. '80	Apr. '79		
Japan	136.2	133.9	132.8	125.7	8.3	1975=100
[illegible]m	140.1	139.9	139.7	131.7	6.4	1976=100

Electricity suppliers plan £97m savings

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE ELECTRICITY Supply industry expects to have to cut expenditure by £97m in the current financial year if it is to meet the "stringent" external finance limit imposed on it by the Government.

This is revealed in the industry's latest medium term development plan, published today and covering the years 1980 to 1987. The industry comprises the Central Electricity Generating Board, responsible for the wholesale supply of electricity in England and Wales, and the 12 area boards which sell it to the public under the direction of the Electricity Council.

In the last financial year the Government had to increase the industry's external financing limit—the amount it is allowed to borrow in any one year—by up to £300m, largely because of fuel stockpiling by the CEGB.

The development plan criticises the current operation of external finance limits. It says the precision attached to them by the Government does not properly take account of actual trading circumstances."

While recognising the limit as a "useful financial discipline," the plan says there is a need for consistency between the industry's financial target (also set by the Government), its capital investment programme and the cash limit. Without this consistency, cash limits could lead to large price increases, says the plan.

"There must be greater recognition of the uncertainties which beset any large trading organisation in respect of cash flow forecasts made many months before the start of the financial year," it adds.

Looking to the future, the industry expects to have installed generating plant capacity of 61,200 Mw by the end of 1986, compared to 55,800 Mw at the end of 1978. Electricity production will rise from 222 terawatt hours in 1978-79 to 239 TWH in 1986-87, with the CEGB supplying 46,200 MW at times of unrestricted maximum demand.

The plan acknowledges that there are likely to be substantial surpluses of plant. The CEGB will aim to reduce this to the 28 per cent excess capacity it keeps as a "planning margin" to deal with unforeseen contingencies.

The industry reckons that there is no need to order further coal-fired stations because nuclear stations are expected to meet needs more cheaply, and adequate coal fired capacity already exists to burn available coal.

But preparatory work has been put in hand on future coal fired sites as a contingency measure so that the necessary consents can be obtained if electricity demand increases more quickly than nuclear supply.

The plan estimates that the CEGB's coal consumption, which amounted to 80.2m tonnes in 1979/80, could be anywhere between 75 and 85m tonnes by 1984/85. It argues that there are risks of shortfalls in NCB supplies to the Generating Board.

Accordingly the industry has been examining the scope for increasing coal imports. A number of locations for an importing terminal have been identified, but no further expenditure is envisaged at present, according to the plan.

Industry to submit proposals on using surplus oil funds

... OF BOTH sides of ... to be invited on ... the Chancellor of ... to suggest ways ... North Sea oil ... coping with a ...

... of the National ... Development Council, ... Howe, the Chancellor of the Exchequer, will ... reduction in unit ... be the best way of ... industry to cope with ... sterling.

... be opening a discussion ... forms part of the ... debate on macro ... subjects on the day ... Cabinet's meeting on ...

... will suggest that additional revenues could be used ... three possible purposes. ... Government borrowing could be reduced, which would help to cut interest rates, or there could be reductions in some forms of taxation. Alternatively, the money could be spent on some other specific purpose such as financing alternative sources of energy.

This will provide an opportunity for the TUC to repeat its known preference for a national oil fund directing investment into industry, and for the CBI to stress the problems that industry is facing with high interest rates and exchange rates.

The council will also consider the intiative launched by Sir Keith Joseph, the Industry Secretary, to improve public purchasing by encouraging Government departments and other organisations to co-operate more with their suppliers on the design of products which are suitable for export as well as home markets.

Litterbugs 'ruin the countryside'

THOUGHTLESS litterbugs . . . are ruining the countryside," claims Mr. Greville Janner, QC, Labour member for Leicester West. He is to urge the Minister of Transport, Mr. Norman Fowler, in the Commons this week to introduce new laws to ban the throwing of litter from vehicles, including trains, cars and buses, and to provide a fixed penalty for offenders.

Bolt makers fight cheap imports

BY ... DUFFY, INDUSTRIAL CORRESPONDENT

THE British industrial fasteners industry, which supplies the ... bolts for engineering, ... another attempt at ... the cheap imports ... threatening its survival.

... cases are being prepared by the British Industrial ... Federation.

... the federation alleges ... Taiwanese are evading ... per cent duty imposed ... imports of nuts two years ... sourcing some of their ... in other Far ... countries and by sending ... products into the EEC ... countries.

... the federation is preparing ... alleging that the ... dumping black bolts ... Britain. Dumping is ... notoriously difficult to prove, but ... the federation believes it has ... evidence to take its case shortly to the European Commission with the help of the Department of Trade and Industry.

Third, the federation is engaged in the more delicate task of proving that other EEC countries are guilty of "unfair trading" in their exports of certain industrial fasteners. Dumping cases cannot be brought against fellow EEC members, but cases of unfair trading can be considered. In certain instances, it seems that West Germany is being used as a transit area for cheap Comecon fasteners.

The British industry argues that its competitors are confining their low-priced exports to a narrow band of the most popular-sized fasteners. This has the effect of undermining the industry's production cost structure, making it more difficult to compete right across the range.

A similar argument was used by the bearings industry against Japanese imports, and later against Comecon countries. The Commission is still investigating claims of bearings dumped by Eastern Europe.

Employment in the fasteners industry has declined from abut 40,000 to 29,000 over the last five years, while imports of the products have been rising. Several companies, including GKN, which used to be the largest single manufacturer of fasteners in Britain, have stopped making all but the more specialised products in face of cheap imports.

£2m test centre for engines

A NEW £2m test centre, controlled by microchips, has been installed at the Perkin's diesel engine plant in Peterborough.

The development will streamline power tests on the 200,000 engines produced by the company each year for trucks, boats and agricultural machinery, 86 per cent of which are exported.

Four hundred engine testers, who closed down the plant for almost three weeks when the new technology was announced last year, are to get extra pay for operating the equipment.

A company official said last night that the development was part of a £17m investment programme, involving the installation of over 200 new test cells, 26 of which were now going into operation.

Ford men go back to work

THE 720 transmission plant workers laid off for a week at the Ford car factory at Halewood on Merseyside because of a fall in trade will report back this morning.

Monetary control reform debate intensifies

BY DAVID MARSH

THE DEBAE between the Government and outside financial experts on possible reforms to the system of monetary control is building up.

In the past few weeks the Bank of England and the Treasury have received more written response, from a variety of outside organisations, to ideas for changes in the financial system. The ideas were set down in the authorities' Green Paper on monetary control published in March.

Submissions have been made by institutions inside and outside the City, and by academics. They cover both the main subject-matter of the Green Paper—whether the authorities should switch to a system of monetary-base control—as well as topics such as alternative methods of selling Government debt.

A monetary-base system would call for the Bank of England to switch the main operational method by which it influences the level of demand for money in the economy. It would move away from a policy of controlling interest rates towards regulating the monetary base—notes and coin plus banks' balances at the Bank of England.

Fluctuations in this base, assumed to bear a direct relationship to banks' total deposits, would then determine changes in interest rates. This contrasts with the present system, which gives the authorities discretion in interest-rate policy.

The Bank and Treasury have shown reluctance to move to a system of full-blooded monetary-base control. There has been, however, more interest in using the monetary base as an indicator to signal when interest rates might be changed.

The Bank and Treasury are examining the submissions, to determine the main bones of contention and to gain an insight into where workable changes might be implemented.

The authorities aim to hold a seminar in the autumn at which interested parties—particularly academics—will be invited to put their views.

This is meant to be an important part of the process under which a decision will eventually be taken. The authorities are keen to avoid the impression that the matter is simply a subject for debate between Bank and Treasury.

In a special commentary brought out at the weekend L. Messel, the stockbroking firm, said interest rates should be given the leading role in monetary control. But it said the Green Paper's proposal to broaden the present cash requirement—under which 1½ per cent of banks' eligible liabilities should be deposited at the Bank of England—is unnecessary.

The Green Paper suggested extending this requirement, which applies only to the clearing banks, to the non-clearers as well. Details have not been completed.

National Westminster Bank, in its latest report on the economic outlook, said the monetary-base system was unlikely to come into effect.

"The most likely outcome will be a system based largely, as at present, on use of interest rates in determining the demand for money and hence its supply."

Venison but no aphrodisiac at Royal Show

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE ROYAL SHOW opens on its permanent showground at the National Agricultural Centre, Stoneleigh, Warwickshire, today and runs until Thursday.

The show and the centre were set up by the Royal Agricultural Society as a permanent base for all manner of farming demonstrations and organisations and is the main non-Government aided effort for farming improvement.

The livestock classes, improvement of which was one of the society's original aims, have been rather under a cloud, derided by geneticists as without criterion of performance in their judging.

In truth there is not much even now. But numbers entered continue to increase, and those participating have enough enthusiasm to keep this and many other shows going.

The cattle classes have been sponsored by the National Westminster Bank to the tune of £20,000, with special encouragement for some lesser-known breeds.

But in the livestock sector cattle numbers are exceeded by those of horses, which, whatever their appeal, have little economic relevance to modern farming.

Among the new developments is a deer-farming unit, which is a growth business in New Zealand, mainly based on the selling of antler velvet as an aphrodisiac. Harvesting the velvet has been forbidden in this country, but visitors will be able to sample venisonburgers and venison sausages.

Eyebrows were raised a year or so ago when a blacksmith claimed to be making chastity belts. Probably to counter this barbaric trend, the cereals unit has some plots of a new forage crop called fenugreek, from which can be extracted one of the major ingredients of the birth control pills.

The farmers who plod through this enormous concourse are not happy. According to the NFU their prospects are squeezed by cost inflation and price stagnation. Their suppliers, whose stand rents pay for the major part of staging the show, are having a thin time.

Like Oliver Twist, farmers are asking the Minister of Agriculture for more, and he tells them through the Ministry exhibit to export or die.

They won't die from lack of export, but most will have a lean time, and only the banks, whose pavilions stand splendidly obvious in their permanence, look like enduring, whatever happens to the rest of us.

British farmers 'could reduce their fuel bills by a third'

BRITAIN'S FARMERS could cut their fuel bills by up to a third by improving their efficiency, says Mr. John Matthews, head of the tractor and cultivation division at the National Institute of Agricultural Engineering (NIAE).

He explains that almost half the fuel used on farms goes to power tractors and other field equipment — and savings between 20 and 30 per cent can be achieved.

The five main British tractor manufacturers and the NIAE join forces this week at the Royal Show at Stoneleigh to prove that improved efficiency, better maintenance and the use of the right equipment can mean "more work for less fuel."

Mr. Matthews said fuel economy was often sacrificed by poor maintenance. Research had shown that, in almost all cases of power loss over the first one or two years, inadequate maintenance of air filter and injector was to blame.

Also at the Royal Show, Mr. Peter Walker, the Agriculture Minister, appealed to farmers, growers and food processors to "come and talk to the experts" about the best ways of boosting exports.

He has chosen exports as the theme for the Ministry's stand at the show, and the agricultural attaches from Britain's embassies in the Common Market countries have been recalled to be on hand to give advice.

An export inquiry bureau will be manned throughout the week-long show to discuss export possibilities and answer questions.

On the eve of the show, Mr. Harold Bennison, managing director of Elbar Industrial (Trading) and president of the Agricultural Engineers Association, appealed for Government policies to stabilise the agricultural machinery market.

In a letter to Mrs. Thatcher, the Prime Minister, Mr. Bennison asserted that the shortfall in real income for farmers from this year's CAP price agreement, coupled with high interest rates, was affecting the sale of tractors and farm machinery.

He suggested that the cost of borrowing could be reduced by several percentage points below the general level of credit for certain sectors of industry without contravening the Treaty of Rome.

Agency channels aid to small businesses

BY OUR INDUSTRIAL EDITOR

THE LONDON Enterprise Agency claims in its annual report published today that it helped save or create more than 750 jobs in the first year of its existence. It is an organisation to channel help from large companies to small businesses.

The agency was set up in April last year by nine major companies and the London Chamber of Commerce. Since then, it has helped create similar agencies in other cities including Birmingham, Bristol and Leeds, and involving a total of 40 large companies.

These followed earlier initiatives in Durham and St. Helens, which use large companies' resources to help create jobs and to reinvigorate urban areas.

The London agency counselled more than 200 businesses, including setting up 41 new ventures. More than 800 would-be entrepreneurs attended its training courses.

The annual report says early doubts about whether large companies could release specialist staff to help small businesses were dispelled.

"Large companies are finding that help given to small businesses is a useful management development exercise and has been of particular benefit in specialist areas such as computers, stock-control, finance, marketing and technical help," the agency says.

It expects to do an increasing amount of work in the coming year, helping large companies to hive off unwanted subsidiary businesses as independent enterprises.

UK NEWS

Ray Perman on the future of Ferranti

Satisfaction at the Scottish Office

…TERING BEHIND an …a' "no comment" over the weekend, the Scottish Office could barely conceal its satisfaction at the successful completion of the first phase of its campaign to preserve the independence of Ferranti.

Phase One was the concerted effort by ministers and civil servants to persuade Sir Keith Joseph, the Industry Secretary, that the National Enterprise Board's 50 per cent holding in the electronics group should be dispersed widely among financial institutions, rather than sold as a block to the highest bidder.

The fear in Scotland was that, had the bidder been one of the firm's rivals in the defence and electronics field, rationalisation with loss of jobs and local control would inevitably have followed.

This pattern has become familiar enough north of the Border over the years.

With 20,000 manufacturing jobs lost so far this year, and the Government's popularity so low that the Conservative candidate lost her deposit in the Glasgow Central by-election last week, ministers were easily persuaded by management and workers that they should fight for one of the few profitable and expanding British-owned companies left in Scotland.

The successful completion of the first phase was Sir Keith's approval of the Scottish Office paper, put forward by Mr. George Younger, the Scottish Secretary at a meeting last Tuesday. The Scots had been prepared to take the fight to Cabinet—but in the event it was not necessary.

A formal announcement in the Commons of the decision is expected today or tomorrow.

But the campaign is only half over. In Phase Two, which has already started, the Scottish Office intends to ensure that all the shares are taken up. If there is insufficient response, the block could still go to the highest bidder—and all the speeches, the lobbying and a letter to The Times by the Moderator of the General Assembly of the Church of Scotland will look like so much hot air.

The position of Mr. Younger and of Mr. Alex Fletcher, the Scottish Industry Minister who has assumed the role of campaign manager, would also look a lot less secure.

Scotland has to be seen to be prepared to help itself: and so the chairman, directors and managers of the insurance companies and investment trusts with which Scotland is thickly populated are being gently told that now is the time to stand up and be counted.

It will be left to the NEB to decide the method and timing of the share placings, but ministers would like to see a substantial proportion placed in Scotland. A number of Scottish banks have indicated they are ready to help.

The price will be crucial in determining the level of response; but so, too, could any conditions the institutions are asked to accept.

The Royal Bank of Scotland, Ferranti's bankers north of the Border, acting with Edinburgh Financial and General Holdings, has already suggested to the NEB that the shares should be sold under a restrictive covenant to prevent their resale for a period of two or three years.

Mr. Fletcher favours a similar scheme to give Ferranti a chance to establish its independence and to avoid the embarrassment of the shares being sold at a discount by the NEB only to be retraded immediately afterwards at a much higher price.

The proposal will not be popular with the institutions, who do not like their freedom restricted.

Mr. Peter deVink of Edinburgh Financial said yesterday, "If you have a young plant, you do not put it straight into the garden; you give it a period in the greenhouse first. The restrictive covenant is the greenhouse."

The restrictions, he went on, "would have to be legally binding because no investment manager could be bound by a gentleman's agreement not to sell. If he received a higher bid he would have a duty to his bond holders, or his policy holders, to sell."

FT GROCERY PRICES INDEX

Slight fall in June

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES Grocery Prices Index fell slightly this month, mainly due to the widespread availability of lower-priced fresh fruit and vegetables.

The June index fell to 128.53 from a May index figure of 128.79. The cost of the fruit and vegetables section fell by 5.2 per cent to reach a total cost of £276.33 in June.

Fresh meat and dairy produce also fell slightly in price, although all other sections of the basket cost marginally more this month.

The FT Grocery Prices Index shows the trend in food prices, rather than acting as an absolute indicator of price levels. The index is based on data collected each month by 25 shoppers who monitor the same list of 100 items in the same shops each month. The shops chosen range from superstores to small village grocers throughout Britain.

The British Farm Produce Council, in its latest bulletin, points out that "all summer vegetables, except a few very late ones like runner beans and sweet corn, are now ready and give shoppers a wide selection this week as well as in the weeks to come."

Other good news for consumers is that the price of certain smaller sizes of eggs will drop this week for the first time in over a year, according to Goldenlay Eggs, Britain's biggest egg co-operative.

While large eggs will remain unchanged in price, sizes three to six will drop in price by between 3p and 8p a dozen in some areas.

Goldenlay says that the drop in price is due to recent imports of surplus continental eggs, mainly from France and Belgium.

Meanwhile, the Institute of Grocery Distribution has published its latest comprehensive review of the retail grocery business. The review points out that the continued depressed market, rising costs, and competition have all led to declining profitability.

The IGD's financial model of grocery retailer's profitability shows that from a level of 3.5 per cent between 1972-74, profitability declined over the following two years to reach a low point of 1.7 per cent in 1975-76. After a slight recovery in 1976-1977, profitability again fell back in 1978-79.

The IGD's estimates for 1979-1980 suggest that there has been some recovery in profits to 1.9 per cent. But the IGD points out that "this is unlikely to indicate any upward trend as competitive pressures show little sign of abating."

The full review and report is available from the Institute of Grocery Distribution, Letchmore Heath, Herts.

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FINANCIAL TIMES SHOPPING BASKET JUNE, 1980

	June £	May £
Dairy produce	623.65	625.47
Sugar, tea, coffee, soft drinks	196.32	194.68
Bread, flour and cereals	295.84	292.85
Preserves and dry groceries	104.12	102.35
Sauces and pickles	49.11	48.72
Canned goods	189.44	187.28
Frozen foods	227.80	224.36
Meat, bacon, etc. (fresh)	537.93	540.78
Fruit and vegetables	276.33	291.70
Non-foods	232.26	230.16
Total	2,732.80	2,738.35

Index for June: 128.53
1979: January 108.54; February 108.65; March 109.12; April 110.88; May 113.59; June 116.02; July 114.79; August 114.16; September 114.17; October 114.95; November 116.36; December 118.74.
1980: January 120.47; February 122.32; March 124.18; April 125.94; May 128.79; June 128.53.

Council spending 'out of control' says CBI

…BIN PAULEY

…THORITY spending … and can be con… if pay awards are …d and local councils … accountable to rate… Mr. Bryan Rigby, deputy …-general of the Confederation of British Industry, … said in a letter to Mr. Michael Heseltine, the Environment Secretary.

… Rigby says that the CBI … supports the Government in trying to cut … spending plans.

… be restrained and … must publish comparative information about their … manning levels … efficiency.

… believe cuts should … current rather than … expenditure, and on … the cost of authori… operations rather … purchases from suppliers."

… refers to the circular asking all … submit their 1980-… s, cutting them … possible, to come closer … Government's planned … level of a 2 per cent … 1978-79 actual expenditure by local authorities in England and Wales.

"We understand the instructions in the Government's circular cannot be mandatory, so we think the present system of central government control and influence over local government spending and finance is less than satisfactory.

He adds that the CBI finds it unacceptable that councils can thwart central Government policy in an area "so vital to the future strength and prosperity of the economy," especially when the Government contributes about half local government finance.

Mr. Rigby complains that local authorities frequently do not have to identify which part of their expenditure is mandatory by statute and which discretionary

"Too often, apparently excessive levels of expenditure have been blamed by local authorities on central Government. It is important that everything possible should be done to clarify the situation for local electors and ratepayers, so we are not caught in the middle of central Government blaming councils and vice versa."

NUJ appeal to Lords over strike

THE National Union of Journalists today challenges in the House of Lords an Appeal Court ruling that the seven-week strike of provincial journalists which started in November 1978 was called illegally, writes Raymond Hughes.

The Appeal Court held that because union members had not been balloted the strike call had been unconstitutional and against union rules. The union was ordered to restore to full membership hundreds of journalists who had been expelled from the union for disobeying the strike call.

The NUJ was taken to court by journalists from Birmingham and Coventry who faced disciplinary action by the union for not taking part in the strike, which was called in support of a pay claim.

Lord Denning said that he had no doubt that the union's national executive had honestly thought it had the power to act as it did, but an analysis of the union's rules showed that the executive had gone too far.

The rules required a ballot where an order for withdrawal of labour affected a majority of members.

Lonhro's legal switch delays sanctions case

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

ELEVENTH-HOUR changes in Lonrho's legal team are delaying the start of the three-month arbitration over alleged Rhodesian sanctions-busting.

Lonrho has dropped Mr. Charles Sparrow, QC, and Mr. Gavin Lightman, QC, who led the company's unsuccessful bids to compel Shell and BP to produce more documents for the arbitration, all the way from the High Court to the House of Lords.

They have been replaced by Mr. Robert Wright, QC, and Mr. Jonathan Parker, QC.

Arrangements are being made to add a third QC to the team. Lonrho has also changed its junior counsel.

The company applied for an adjournment when the arbitrators sat to begin their hearing at the Piccadilly Hotel in London earlier this week.

It said its new counsel needed time to familiarise themselves with the case.

The application was forcefully opposed by Shell and BP and argument lasted for several hours before the arbitrators—Sir Henry Fisher, Lord Cross of Chelsea and Dr. J. Moti—agreed to delay the start of the proceedings until July 14.

The oil companies objected to the hearing being delayed because they are anxious finally to refute Lonrho's well-publicised allegations that they conspired with Mr. Ian Smith's government to keep oil flowing into Rhodesia during UDI.

Lonrho's solicitors refused yesterday to say why the company had decided to change its counsel.

Move to bar shareholders

Morgan Crucible Company is taking legal action to stop four shareholders attending its annual meeting at the Café Royal on July 10.

At a private hearing on Friday the company will seek High Court injunctions against the four, all members of the Battersea Redevelopment Action Group (BRAG).

BRAG has fought against Morgan Crucible's redevelopment plans for an 11-acre Thames-side site for several years. At last year's annual meeting several BRAG members were ejected when they refused to accept a ruling by the chairman.

Big increase in personal loans by banks to home buyers

BY DAVID MARSH

BANKS have increased their lending to personal borrowers faster than their loans to manufacturing industry during the 1st 12 months.

The larger increase in personal lending has been a major contribution to the Government's difficulties in controlling the money supply. Bank of England figures published today show that the banks' personal lending in sterling increased by 5.3 per cent in the three months to mid-May, taking the rise since May, 1979, to 27.8 per cent. The latest quarterly growth rate represents a substantial acceleration, compared with the 2.9 per cent increase during the previous November to February period.

Lending to manufacturing industry also increased by 5.3 per cent during the latest quarter, the same growth rate as the previous two quarters. This took the rise in sterling loans to manufacturers since May, 1979, to 26.8 per cent.

About 30 per cent of banks' personal lending is for house purchases. Loans for this purpose have increased by about 34 per cent during the latest 12 months, with lending by the London clearing banks up 32.7 per cent during this time. This expansion may reflect the banks' increased efforts to compete with building societies in the home-loan market.

U.S. banks based in Britain increased their house-purchase loans during the 12 months by 63.1 per cent—although they lend less than one-tenth for home purchases, compared with the amounts lent by the clearers.

Bank loans to hire purchase companies rose by 17.4 per cent during the latest three months, taking the 12 months' rise to nearly 60 per cent.

Analysis of bank advances and acceptances

to UK residents by banks in the UK at May 21, 1980; as Table 5 in the Bank of England Quarterly Bulletin.

£m		Advances & acceptances to UK residents: Total	of which in sterling	of which in foreign currencies	Financial: Total financial	of which in sterling	Hire-purchase finance houses	Property companies	Other financial
London clearing banks	1980 Feb. 20	24,706	23,482	1,224	2,037	1,759	192	824	1,022
	May 21	26,041	24,862	1,180	2,011	1,786	197	832	982
Scottish clearing banks	1980 Feb. 20	3,293	3,048	245	364	292	115	80	170
	May 21	3,450	3,214	236	346	294	116	79	151
Northern Ireland banks	1980 Feb. 20	839	828	1	33	33	2	25	6
	May 21	849	848	1	43	43	3	25	16
All banks	1980 Feb. 20	57,524	46,803	10,721	9,617	6,824	1,916	2,214	5,487
	May 21	60,301	49,355	10,946	10,016	7,257	2,258	2,261	5,498
of which in sterling	1980 Feb. 20	46,803			6,824		1,876	1,925	3,024
	May 21	49,355			7,257		2,203	1,955	3,099
Changes: in sterling	Nov. '79/Feb. '80	+2,560			+298		+ 57	+ 12	+229
	1980 Feb./May	+2,552			+433		+327	+ 31	+ 75
in foreign currencies adjusted for exchange rate effects§	Nov. '79/Feb. '80	+ 499			+ 25		+ 1	+ 54	− 30
	1980 Feb./May	+ 296			− 30		+ 15	+ 17	− 63

		Manufacturing: Total manufacturing	of which in sterling	Food, drink and tobacco	Chemicals and allied industries	Metal manufacture	Electrical engineering	Other engineering and metal goods	Shipbuilding †	Vehicles	Textiles, leather and clothing	Other manufacturing
London clearing banks	1980 Feb. 20	6,871	6,555	850	702	395	604	1,723	409	239	656	1,294
	May 21	7,309	6,991	919	758	439	654	1,736	435	316	693	1,359
Scottish clearing banks	1980 Feb. 20	754	732	159	55	32	32	141	143	21	68	103
	May 21	811	787	180	48	44	38	131	145	19	82	125
Northern Ireland banks‡	1980 Feb. 20	138	138	36	—	—	—	48	—	—	26	28
	May 21	130	130	30	—	—	—	41	—	—	26	32
All banks	1980 Feb. 20	15,785	13,205	2,474	2,770	886	1,336	3,030	623	774	1,115	2,736
	May 21	16,691	13,908	2,776	2,826	892	1,389	3,052	652	933	1,247	2,924
of which in sterling	1980 Feb. 20	13,205		2,042	1,911	763	1,181	2,684	588	704	1,048	2,285
	May 21	13,908		2,189	2,069	776	1,191	2,658	625	858	1,142	2,400
Changes: in sterling	Nov. '79/Feb. '80	+668		+ 12	− 12	− 33	+144	+252	− 10	+ 70	+106	+137
	1980 Feb./May	+703		+148	+158	+ 13	+ 9	− 25	+ 37	+154	+ 95	+115
in foreign currencies adjusted for exchange rate affects§	Nov. '79/Feb. '80	+400		+ 30	+162	+ 17	+ 1	+ 79	+ 7	+ 43	− 3	+ 64
	1980 Feb./May	+212		+162	−106	− 7	+ 45	+ 48	− 9	+ 5	− 2	+ 77
Advances only: All banks	1980 Feb. 20	15,763	11,209	2,085	2,430	678	1,122	2,782	612	552	1,018	2,483
	May 21	14,482	11,730	2,330	2,496	698	1,167	2,764	638	693	1,063	2,633

		Other production: Total other production	of which in sterling	Agriculture, forestry and fishing	Mining and quarrying	Construction	Persons: Total persons	of which in sterling	For house purchase	Other
London clearing banks	1980 Feb. 20	3,434	3,407	1,859	173	1,402	5,249	5,246	1,669	3,579
	May 21	3,667	3,637	1,992	188	1,487	5,479	5,474	1,723	3,756
Scottish clearing banks	1980 Feb. 20	727	671	516	67	144	534	533	164	370
	May 21	745	697	552	60	133	576	574	176	400
Northern Ireland banks	1980 Feb. 20	228	228	167	5	56	180	180	47	133
	May 21	236	236	173	5	57	183	182	44	139
All banks	1980 Feb. 20	6,375	5,570	2,678	1,485	2,212	7,724	7,706	2,350	5,374
	May 21	6,780	5,857	2,847	1,585	2,349	8,141	8,115	2,455	5,687
of which in sterling	1980 Feb. 20	5,570		2,652	784	2,133	7,706		2,349	5,357
	May 21	5,857		2,825	787	2,246	8,115		2,452	5,664
Changes: in sterling	Nov. '79/Feb. '80	+311		+ 68	+ 49	+194	+214		+ 68	+146
	1980 Feb./May	+288		+173	+ 3	+112	+410		+103	+307
in foreign currencies adjusted for exchange rate effects‡	Nov. '79/Feb. '80	+ 37		+ 11	+ 29	− 4	+ 7		—	+ 7
	1980 Feb./May	+123		− 4	+102	+ 25	+ 8		+ 2	+ 6

		Services: Total services	of which in sterling	Transport and communications	Public utilities and national government	Local government	Retail distribution	Other distribution	Professional, scientific and miscellaneous
London clearing banks	1980 Feb. 20	7,116	6,515	584	718	82	1,427	1,387	2,939
	May 21	7,575	6,974	599	585	116	1,673	1,388	3,214
Scottish clearing banks	1980 Feb. 20	914	819	120	81	71	145	137	360
	May 21	972	862	139	84	73	169	139	367
Northern Ireland banks‡	1980 Feb. 20	249	249	—	23	7	94	38	87
	May 21	257	257	—	14	8	99	44	92
All banks	1980 Feb. 20	18,024	13,499	1,869	2,350	1,120	2,302	4,575	5,807
	May 21	18,673	14,217	1,968	2,165	1,317	2,627	4,338	6,258
of which in sterling	1980 Feb. 20	13,499		1,201	507	1,088	2,276	2,920	5,508
	May 21	14,217		1,239	413	1,305	2,600	2,888	5,772
Changes: in sterling	Nov. '79/Feb. '80	+1,069		+ 9	+211	+112	− 61	+194	+604
	1980 Feb./May	+ 718		+ 38	− 94	+217	+324	− 32	+265
in foreign currencies adjusted for exchange rate effects§	Nov. '79/Feb. '80	+ 30		+ 52	−250	− 2	+ 2	+228	—
	1980 Feb./May	− 16		+ 78	− 55	− 20	+ 1	−213	+193

† Including lending under special schemes for domestic shipbuilding. ‡ The analysis provided by Northern Ireland banks differs slightly from other banks. Chemicals and allied industries are included indistinguishably in "Other manufacturing"; Metal manufacture, Electrical engineering, Shipbuilding and Vehicles in "Other engineering and metal goods"; and Transport and Communications in "Public utilities and national government." § The figures exclude as far as possible the effect of changes in exchange rates on the sterling value of advances in foreign currencies.

LONDON BUSINESS SCHOOL'S ECONOMIC OUTLOOK

Unemployment 'will continue to rise'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE RECESSION in both the world and the UK economies is likely to continue until towards the end of next year, the London Business School's Centre for Economic Forecasting projects in its new Economic Outlook published this morning.

After 1981, there should be some improvement. But total output in Britain is unlikely to reach its pre-budget level until the end of 1982, and unemployment is likely to continue rising for the next three to four years.

The inflation rate should decline and, if the monetary targets of the Government's medium-term financial strategy are observed, the annual rate of inflation should be below 8 per cent by the end of 1982.

The strategy is discussed in an economic viewpoint by Dr. Alan Bndd, the director of the Centre for Economic Forecasting, and by Mr. Geoffrey Dicks. The authors examine the feasibility of the strategy and the money supply targets in terms of the proposed underlying path for pnblic sector borrowing.

They conclude that the public borrowing path and the monetary targets are consistent and that the strategy would not be threatened if output grows by less than the 1 per cent annual rate between 1979 and 1984 assumed by the Government.

Dr. Budd and Mr. Dicks maintains that "in current conditions the control of inflation must be regarded as a primary aim of policy. We do not believe that it is worth paying any price to achieve it; that is wby we persistently srgued against a reduction in the level of public sector borrowing in this year's Budget."

Inflation

"We have also argued that it is wrong to load so much of the burden of adjustment to the lower rate of inflation on to the company sector. However, if the rate of inflation is to be brought down by monetary means it is essential both to persevere with the policy and to sbow that the monetary objectives are feasible. The medium-term financial strategy shows that they are."

A further article in the Outlook examines the view—frequently argued by Lord Kaldor, for instance—that there is no connection between public sector borrowing and the growth of the money supply. Two business school economists, Mr. Michael Beenstock and Mr. Andrew Longbottom, maintain tbat, while there was no simple short-term relationship between the two, there is a stable statistical link between them in the longer term.

The other main special paper in the Outlook, by Mr. Beenstock and Mr. Peter Warburton, examines the claims that British industry ia bleeding to death because of its vulnerability to imports.

The authors argue that the rise in imports since the war can be explained by movements towards freer trade which has bad an offsetting beneficial impact on exports. They argue that there is nothing either unusual or threatening about these developments.

Consequently, the authors cballenge "the initial starting point of the protectionist scbool that increasing import penetration is undermining employment and growth in the UK. On the contrary, we would regard the most alarming current development as the increasingly loud calls for protection."

The detailed forecasts show that the business school has become sligbtly gloomier about the outlook for output over the next 18 months compared with its previous projections four months ago. The cbange in total output, as measured by real Gross Domestic Product, is expected to be larger this year—down 2.3 per cent against 1.7 per cent previously—and GDP is expected to fall marginally next year rather than to increase slightly, as expected in February.

The main cbange compared with the previous forecasts is in the business scbool's view on tbe current account nf the balance of payments. Tbis is now projected to move into surplus next year and to be in substantial surplns in 1982 and 1983, in contrast to previous projections of a continuing substantial deficit. In part, this reflects the more cautious view of output growth up to 1983 now being taken.

The competitive position of Britisb gooda is expected to improve from next year onwards. The trade-weighted index of sterling's value against a basket of other currencies is expected to decline from 74.1 (1971=100) at present to 67 by the fourth quarter of this year and to 65 by the end of 1981. Minimum Lending Rate, currently 17 per cent, is expected to drop to 12 per cent by tbe fourth qnarter of thia year and to 9 per cent by the end of 1981.

LONDON BUSINESS SCHOOL FORECASTS
(February projections in brackets)

	Percentage annual change io real terms			
	1980	1981	1982	1983
Consumer spending	0.2 (−0.7)	−0.5 (−0.2)	1.8 (1.5)	2.3 (1.7)
Exports	3.4 (4.5)	0.9 (−0.2)	2.7 (2.2)	2.6 (3.3)
Imports	−0.8 (0.8)	−1.6 (−1.1)	1.9 (2.3)	3.4 (3.8)
Gross domestic product	−2.3 (−1.7)	−0.4 (0.4)	1.9 (2.4)	1.6 (2.5)
Consumer prices	18.2 (17.7)	15.5 (14.1)	8.9 (9.0)	7.5 (7.7)
Money supply (M3)	8.8 (7.8)	7.8 (8.8)	6.4 (9.4)	6.5 (9.6)
Current account £bn	−1.9 (−1.7)	0.25(−1.71)	2.03(−1.76)	1.85(−2.81)
Adulst unemployment (m. Great Britain)	1.5 (1.48)	1.84(1.82)	2.04(2.04)	2.15(2.14)

The recession is expected to put considerable pressure on the company sector over the next 18 months. Company profits (after deducting stock appreciainn and returns from North Sea oil operations) are projected to drop by 52.3 per cent year, but to increase hy 17.3 in 1981. Four months ago, the business school was projecting a drop of 59.1 per cent tbis year and, a month ago, the National Institute forecast a fall of 70 per cent.

Consequently, the business acbool projects a financial deficit for the company sector of roughly £8bn over each of the next two years. Coupled with the poor sbort-term outlook for growth, this is expected to produce a drop in private fixed investment of more than 5 per cent this year and a further 4 per cent in 1981. A recovery is expected in 1982-83 but by the end of tbe period private investment is only just returning to the 1978 peak.

Earnings this year are expected to rise by 18 per cent in manufacturing and by nearly 20 per cent for the whole economy. In the pay round from August 1, a slowdown is expected in the rate of growth of earnings to roughly 15 per cent; in subsequent pay rounds, the rate is forecast to decline to around 10 per cent. This is in lin with the progressive deceleration of monetary growth and inflation, but it does not prevent unemployment from rising steadily to more ahan 2m within two years.

Real personal disposable incomes are exnected to drop slightly from now onwards. With little change expected in the savings ratio in 1980-81 spending may drop from the high first quarter levels. By tbe end of 1981, the slowdown in the inflation rate is expected to bring the savings ratio down and to help to stimulate the growth of consumer spending to a average rate of about 2 per cent a year.

World output is projected to fall from its first quarter peak with industrial production down by 5 per cent compared with tbe 12 per cent drop in 1974-75 when all countries contracted in unison.

Some recovery is expected in the second half of next year and in 1982-83 world industrial production could be growing at a rate of 5 per cent a year.

World trade is also forecast to rise more slowly this year, but the slowdown is likely to be less than for output because of higher imports by the oil-producing countries.

World prices — currently 15 per cent bigher than a year ago for manufactured goods and 11 per cent higher for consumer prices—are forecast to slacken from now on to a single figure rate of iocrease by the middle of next year.

Economic Outlook 1979-83, Volume 4, Number 9, June 1980. Annual subscription £48.00 in the UK nnd arailable from Gower Publishing, 1 Westmead, Farnborough, Hampshire GU14 7RU.

Ruling soon on Kagan extradition

By Raymond Hughes, Law Courts Correspondent

THE COURT of Appeal in Paris will announce on Wednesday wbether Lord Ksgan is to be extradited to the United Kingdom to face criminal cbarges.

Extradition has been sought by the Director of Public Prosecutions on behalf of the Customs and Excise. They want Lord Kagan, former head of Kagan Textiles, returned to Britain to stand trial on charges of misappropriating 239 cases of indigo dye to the detriment of Kagan Textiles, and of falsifying accounts.

Lord Kagan was arrested in Paris on April 8. He bad disappeared from Britain 15 months earlier.

If he is extradited Lord Kagan will not bave to face fraud charges originally brought against him by the Revenue after investigating the denim cloth export aide of Kagan Textiles. Sucb offences are not covered by the extradition treaty

Lady Kagan and three executives of the company bave already been committed for trial on the fraud charges at Leeds Crown Court.

Kagan Textiles baa announced that it intends to sue Lord Kagan for "a substantial sum" in the United Kingdom civil courts.

Parliamentary Diary

TODAY

COMMONS—Civil Aviation Bill, remaining stages.

LORDS — New Towns Bill (Money), third reading. Housing Bill, committee stage. Commoos message on Transport Bill. Gas Bill, third reading.

SELECT COMMITTEES — Energy. Subject: Isle of Grain power station. Witnesses: Thermal Insulation Contractors Assn. (Room 8, 4.15 pm). Treasury and Civil Service. Subject: monetary policy. Witnesa: Prof. Patrick Minford (Room 15, 4.30 pm). Public Accounts. Suhject: Interest Relief Grants. Witnesses: Dept. of Energy (Room 16, 4.45 pm).

TOMORROW

COMMONS—Debate on Opposition motion on INMOS until 7 pm. Debate on Liberal motion on need for prices and incomes policy. Motions on the Financial Assistance (Offsbore Supplies Grants) Scheme, and on Petroleum (Production) (Amendment) Regulations.

LORDS—Social Security (No. 2) Bill, report stage. Motions to approve Welfare of Livestock (Deer) Regulations 1980 and Veterinary Surgeons Act 1966 (Schedule 3 Amendment) Order 1980.

Select Committees — Foreign Affairs, Overseas Development Snb-Committee. Subject: Development Divisions. Witnesses: Overseas Development Administration (Room 15, 5.15 pm). Transport. Subject: Channel Link. Witnesses: Freight Transport Association (Room 17, 6 pm).

WEDNESDAY

Commons—Debate on EEC documents on convergence and Budgetary questions. Motion to approve Education (Publication of School Propoosala) (No. 2) Regulations.

Select Committees — Foreign Affairs. Subject: Effects on British Foreign policy of Soviet expansion in Afghanistan. Witnesses: Foreign and Commonwealth Office (Room 15, 10.30 am). Energy. Subject: Isle of Grain power station. Witnesses: CEGB (Room 8, 10.45 am). Industry and Trade. Subject: Import and export trade. Witnesses: ICI (Room 16, 10.45 am). Transport: Subject: White Paper on roads. Witnesses: British Roads Federation (Room 17, 11.30 am). Public Accounts. Subject: NEB accounts 1979. Witnesses: Department of Industry, NEB (Room 16, 4 pm). Transport: Subject: Channel Link. Witness: Sir Alec Cairncross (Room 17, 4.15 pm). Employment. Subject: Work of Department of Employment Group. Witness: Mr. G. Howard, director, special programme division, Manpower Services Commission (Room 6, 4.30 pm).

THURSDAY

COMMONS — Local Government, Planning and Land (No. 2) Bill, remaining stages.

FRIDAY

COMMONS — Private Members' Bills.

COMPANY NOTICE

TAKEDA CHEMICAL INDUSTRIES LIMITED

BEARER DEPOSITARY RECEIPTS representing shares of Takeda Chemical Industries Limited.

Takeda Chemical Industries Limited. has declared a dividend of Yen 3.75 equivalent to Yen 37.50 per Depositary share. The Depositary will pay the equivalent proceeds in U.S. Dollars less taxes as applicable against presentation of Coupon No. 35.

Coupons will be accepted on and after 1st July 1980 and must be lodged three clear days prior to the payment.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
PO BOX 765,
MORGAN HOUSE
1 ANGEL COURT
LONDON EC2R 7AE.

PAN-HOLDING S.A., LUXEMBOURG

NOTICE IS HEREBY GIVEN that Pan-Holding S.A., has declared a dividend of U.S.$7.60 per share of $50 for the year 1979 payable as from 1 July 1980.

The dividend will be payable against coupon No. 45 from bearer shares of Pan-Holding S.A., which may be presented to Midland Bank Limited, Securities Department, International Division, Suffolk House, 5 Laurence Pountney Hill, London EC4R 0EU, for payment at the rate of exchange current on the day of payment.

Income tax at 30% will be deducted unless the coupons are accompanied by an Inland Revenue affidavit.

LEGAL NOTICES

CRESCAR LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act 1948, that a Meeting of the creditors of the above-named Company will be held at The Holiday Inn, Trier, Germany, on Thursday, 17th day of July, 1980 at 12 o'clock midday, for the purposes provided for in Section 294 and 295.

Dated the 20th day of June, 1980.

M. O. TOOGOOD, Director.

THE COMPANIES ACTS 1948 TO 1976

J. KING & PARTNERS (ENGINEERS) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at Richborough Hall, Ramsgate Road, Sandwich, Kent, on Friday, the fourth day of July 1980, at two o'clock in the afternoon, for the purposes mentioned in sections 294 and 295 of the said Act.

Dated this 20th day of June 1980.

By Order of the Board,
R. G. ROBINSON, Secretary.

... and ... fund ... TUC

... EDITOR

... Social Fund, ... provides money mainly ... and retraining of ... should be expanded in ... of mounting EEC unemployment, the British TUC ...

... says that a special category ... should be created to ... the long-term unemployed ... out of work for more than a year—whose numbers had quadrupled in the last decade.

In written evidence to the House of Lords Select Committee examining the fund, published today, the TUC says it is "deplorable" that the fund should account for less than 5 per cent of the EEC budget, even though it was now four times bigger than eight years ago.

"It would be unrealistic to expect any significant increase in the overall proportion of the fund allocated to the UK. Within the constraints imposed by the fund's overall budget, the UK is in a relatively favourable position."

Since 1973 the UK had received an average of 23 per cent of the fund's total resources. The figure last year was 26 per cent, or £180m.

But still greater sums should be available to the UK, matched by an increase in the Government's own commitment to comprehensive manpower and training policies.

ITN in critical talks on news equipment

BY PAULINE CLARK, LABOUR STAFF

THE NEXT 10 days are likely to see a make-or-break decision by Independent Television News technicians on the introduction of electronic news-gathering equipment (portable videotape cameras).

The Association of Cinematograph, Television and Allied Technicians said yesterday that talks on ENG had reached a "critical" stage following shop-floor rejection of the latest management cash offer.

Any agreement on the union's demand for an across-the-board payment for co-operation with ENG could have important implications—not only for the future efficiency of the ITN service—but also for the further introduction of new technology deals in other British commercial television companies.

The agreement which ended last month's blackout of ITN originally set a June 30 deadline for reaching an understanding on the ENG issue.

Technicians had refused to handle a Grampian Television insert of ENG recordings of Mrs. Thatcher speaking in Scotland.

The ACTT said ahead of more talks next week: "We desperately want to see ENG used on ITN." But it said it was determined that agreement would be reached only on the right terms.

An acceptable across-the-board cash and conditions offer by ITN could set a lead for future deals in other TV companies. An ITN agreement was said by ACTT to be important because it dealt predominantly with news, which was the main use for ENG.

The ENG system, already used widely by foreign television organisations, uses a colour videotape which can be transmitted instantly, eliminating the need to process film.

As in other areas of industrial new technology, the system has given rise to fears of lost status by technicians such as film cameramen whose traditional skills are no longer needed.

TGWU ban hits Bass supplies

By Gareth Griffiths

A WEEK-LONG overtime ban by 700 production workers at the Bass brewery, Burton upon Trent, has led to beer shortages in public-houses in the North and East Midlands, with likelihood of national shortages of some brands.

The dispute involves Transport and General Workers' Union members. They want an extra £25 a week on basic pay. Bass offered £17.20 and said the deal would make average weekly earnings at the brewery £188. Settlement date runs from July 1. It is one of the last in the current brewing pay-round.

Bass said the dispute was a local one. Management do not expect it to spread.

John Lloyd looks at print union merger hopes

The NGA must pay for its scalps

EBULLIENCE and self-confidence marked the biennial delegate meeting of the National Graphical Association the print craftsmens union, in Blackpool last week.

For a good reason. The scalp of Times Newspapers; the Newspaper Society, negotiating body for the provincial Press; and the British Printing Industries Federation were all but visible on the platform in the Winter Gardens where the executive sat.

The soothing cliché ritually applied after a dispute has ended, "no one wins a strike," does not survive a judgment at conference.

Delegates know that disputes are won or lost, and they considered they had won all three; a hat trick.

There is no such thing, however, as a free strike. The union has paid out about £1.8m to its members for the three disputes, and faces a deficit on its general fund, which finances industrial action as well as current expenditure.

The traditionally well-heeled provident fund, which relies on a general fund surplus to provide it with cash for the investments on the income on which it lives, is starved of this support.

Mr. Colin James, the union's financial secretary, told the conference that if unemployment in the industry rose to 1 per cent of union members the fund could pay unemployment benefit only for a few months.

No specific proposal was adopted for coping with this shortfall, though a series of measures was passed to give more control to the executive of branch funds.

The underlying problem of expenditure exceeding income as more and more services are demanded, coupled with the problems which the recession is visiting on the printing industry, force the union to think of more radical solutions than merely being a bit more careful at local level, or increasing subscriptions.

The most obvious, most radical but by no means new solution is amalgamation.

There are five main unions in the print. Besides the NGA, these are the National Society of Operative Printers, Graphical and Media Personnel; the Society of Graphical and Allied Trades; the Society of Lithographic Artists, Designers and Engravers (SLADE); and the National Union of Journalists.

Formation of one print union from these constituent parts, most themselves amalgamations has been an ideal for decades, and practically canvassed in the past one.

It has not worked because, though the ideal is fine, and from an Olympian perspective an obvious move, down in the plants and in the union rule books the complexities are formidable.

The print industry is the most highly unionised of any part of the private sector. Demarcation lines between unions are strict and scope for aggravation is wide.

SLADE and NGA have had a long battle over organisation of design studios, while the NGA and SOGAT are in conflict over printing by facsimile transmission of the Daily Express and Daily Star in Inverness.

The one substantial merger, between NATSOPA and SOGAT, to be effected in the past decade fell apart after 18 months, partly on inability by members of either to agree on pooling of jealously-guarded jobs.

The journalists, least "natural" element of any complete merger, may be expected to have a number of members opposed to it on political, or simply on class, grounds.

Further, the NUJ has a growing membership in broadcasting, which it does not want to lose. For these reasons its officials tend to favour a confederation, in distinction to the NGA's concept of a complete merger.

The pressures for merger are now probably greater than the problems preventing it.

SLADE and the NUJ are small unions, with a too-small subscription base to support more than skeletal services.

The other three are medium-sized, with problems only a little less acute, though only the NGA has given them a public airing.

The industry's three main areas, Fleet Street; provincial Press; and general printing, all face hard times, especially in the latter, where closures become increasingly commonplace and foreign competition intense.

So a new round of talks, encouraged by Mr. Len Murray, TUC general secretary, is beginning. SOGAT and NATSOPA are negotiating on one side, SLADE and the NGA on the other.

Both have gone over the ground before, so they may be able to dispense with preliminaries.

As a kind of bridge over troubled waters, the NGA and SOGAT will continue talks also, with a mutual recognition that these could be lengthy.

By the end of the year, according to Mr. Joe Wade, general secretary of the NGA, there should be a merger between his union and SLADE.

On the assumption that NATSOPA and SOGAT can in time reach an agreement which sticks, and there are clearly many difficulties, the two major issues will then be can the general print unions live with the craft union, and can the journalists live with both groups?

Craft pride is strong — an NGA delegate remarked last week that he did not want "this union run by a paper stacker" — and distrust of it from the general unions equally strong.

Yet as Mr. Wade remarked last week the problems which now confront the industry — new technology, challenge of imports to the general print, advertising cuts in the provincial and national Press, increasing politicisation of Fleet Street —have their best chance of resolution if taken on by one union with relatively secure resources and a high level of organisation.

As he also remarked, the cynicism and disillusionment which would surround another failure would finish the project for a further 10 years. The stakes are high.

Preston factory opened by Addison Tool

THE ADDISON Tool Company which imports power saws and pipe-bending machinery from Italy and the U.S. is to try to break into the more sophisticated part of the pipe bending market.

The company opened a 20,000 sq ft factory in Preston last week for the production of the range it hopes will win it the higher priced slice of the market. Addison has developed a computer controlled unit which will be able to store previous pipe bending patterns on tape. This will guarantee repeatability and a high level of safety.

MFI dispute settled

A SIX-WEEK dispute at the Stratford, East London, branch of MFI, the furniture group, has been settled. Twelve Transport Workers' Union members were dismissed last month after striking to reinstate Mr. Gary Cook, who they believe was sacked unfairly for his trade union activities.

The company is to reinstate the strikers and put Mr. Cook on paid suspension pending arbitration.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
July 1-3	Energy Show (01-837 3636)	Cunard International Hotel, W
July 1-3	Temperature Measurement and Control Exhibition an Conference (0822 4671)	Wembley Conference Centre
July 6-10	Autumn 80 Lightshow (02488 396)	NEC, Birmingham
July 8-10	Great Yorkshire Agricultural Show (0423 61536)	Harrogate
July 9—26	Royal Tournament (01-930 6009)	Earls Court
July 11-20	Taste of Asia Exhibition (01-272 4287)	Olympia
July 15-16	Exhibition and Conference on Micro Technology—MICROFAX (061-236 4612)	Manchester
July 18-20	Motor Cycle Show (0384 56348)	Chester
July 20—24	Gift Fair (0282 867153)	Exhibition Centre, Harrogate
July 22-24	Microcomputer Show (0895 39262)	Wembley Conference Centre
Aug. 1-4	Scottish Furniture Trades Exhibition (041 649 1954)	Kelvin Hall, Glasgow
Aug. 3-7	International Gifts Fair (01-855 9201)	Olympia
Aug. 11-13	Computer Graphics Exhibition (0895 39262)	Metropole Hotel, Birmingham
Aug. 14-25	Ideal Home and Leisure Exhibition (0202 20327)	Newcastle University
Aug. 17-23	British Musical Instruments Trade Fair (01-855 9201)	Olympia
Aug. 20—23	Ideal Home and Trade Exhibition (06333 64538)	Leisure Centre, Pontypool
Aug. 20—25	Modern Homes Exhibition (0253 54676)	Guildhall, Preston
Aug. 23—25	Trade and Entertainments Exhibition (0689 36431)	Moat Park, Maidstone

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Solar Forum (02013 4450) (until July 4)	Hamburg
Current	International Welding Exhibition (01-278 0231) (until July 6)	Brno
July 1-4	Motor Show, Components and Accessories Exhibition	Braga
July 1-4	Latin American Oil Show (01-222 0466)	Rio de Janeiro
July 2-6	Audio Visual Exhibition AUVI (021-705 6707)	Singapore
July 7-11	International Training and Educational Symposium and Exhibition—INSTRUCTA (01-486 1951)	Johannesburg
July 11-17	National Boat Show	Melbourne
July 16-24	International Photogrammetry Trade Exhibition	Hamburg
July 26-Aug. 3	Trade Fair	Dornbirn
Aug. 8-17	Modern Family Exhibition (02013 4450)	Hamburg
Aug. 11—17	International Fisheries Fair	Oslo
Aug. 19—Sept. 4	International Exhibition of Agriculture and Food Industry—OMEC	Budapest
Aug. 22—24	Wellington Home Show	Wellington, New Zealand

BUSINESS AND MANAGEMENT CONFERENCES

July 1	Spicer and Pegler: The office of the 80s (01-283 2683)	Great Eastern Hotel, EC2
July 3	CCC: Use of Offshore Financial Centres—Cyprus (01222 6362)	Royal Lancaster Hotel, W2
July 4	ESC: The Companies Act 1980 (01-262 1234)	Cumberland Hotel, W1
July 6-11	University of Bradford Management Centre: Sales Management (Bradford 42299)	Heaton Mount, Bradford
July 7-11	Institute of Personnel Management: The Work of The Personnel Department (01-387 2844)	Embassy Hotel, W2
July 8	BIM: Micros—The real costs and how to fund them (01-405 3456)	Mount Royal Hotel, W1
July 9	Institute of Chartered Secretaries: The Companies Act 1980 in Practice (01-580 4741)	London Press Centre
July 9-10	The Plastics and Rubber Institute: Plastics on the Road (01-245 9555)	Kenilworth
July 11	ESC: Norwegian Taxation: A specialist conference for the oil and gas industry (057 282 2711)	Carlton Tower Hotel, SW1
July 14-18	ASM: Inventory Control and the Microcomputer (01-385 1992)	Pembroke College, Oxford
July 14-25	FT Course: Financial Management for the non-financial executive (01-621 1355)	The City University
July 15	Oyez IBC: Estate Agents' Remuneration—Sell a Property and get no commission? (01-242 2481)	Duchess Mews, W1
July 16	LCCI: Iraq (01-248 4444)	Cannon Street, EC4
July 17	Oyez-IBC: How to Cope with Personnel Problems (01-242 2481)	Cavendish Conference Centre, W1
July 17-18	Brunel Institute: Inter-Personal Effectiveness Workshop (0895 56461)	Uxbridge
July 20-25	Oyez-IBC: The Language of the Law (01-242 2481)	Lady Margaret Hall, Oxford
July 22-24	The Institution of Civil Engineers: Flood Studies Report—5 years On (01 222 7772)	University of Manchester
July 22-23	Online: Microelectronic Applications (09274 28211)	Wembley Conference Centre
July 22-23	University of Bradford Management Centre: The Causes and Symptoms of Company Failure (Bradford 42299)	Heaton Mount, Bradford
July 23	Bacie: Introduction to Television in Training (01-636 5351)	City University, London
July 28-Aug. 15	Compower Training School: Basic COBOL (Cannock 2511)	Cannock, Staffs.
Aug. 4-6	MSS: Inventory Management and Control (Worthing 34755)	Worthing
Aug. 7-8	British Institute of Management: Effective Speaking—Practice and Coaching using Closed Circuit TV (01-405 3456)	Parker Street, WC2
Aug. 10—24	University of Western Ontario: The 1980 International Symposium on Solar Energy Utilization	Ontario, Canada
Aug. 11—16	CCC: Practical Introduction to UK Business Law (01-222 6362)	Trinity Hall, Cambridge
Aug. 11—Aug. 22	CEI: International Financial Management Seminar	Geneva

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● AUTOMATION

Robots progress in diecasting

FIRST Unimate Series 1000 robot to go into operation in Europe is in the plant of Metal Castings (Worcester), the company which has pioneered diecasting automation techniques with the use of six other Unimate robots of the Series 2000 type.

Series 1000, a recently introduced lower-cost 5-axis materials transfer system, is serving a 800-ton microprocessor-controlled diecasting machine, extracting finished castings and initiating various sequences such as automatic lubrication of the die cavity and re-cycling procedures.

Series 1000 is operating in an extension to one of Metal Castings' existing foundries which has been fully equipped with all services to cater for future markets, with provision for installing similar machines and Unimate systems at a future date.

Like Metal Castings other Unimates the robot has been readily accepted by the workforce and operates a 24 hour continuous shift. Its high reliability means stoppages and downtime are reduced. Shot rate capability is improved and a consistent casting can be produced each cycle.

In the sequence, the robot moves into position when the die opens, grasps the casting by its slug and clears it from the cavity, at the same time initiating automatic die aprays.

Although it is apparent that the £2m investment and the installation of robot automation and microprocessor control at the Droitwich Road plant will undoubtedly help to substantiate the company's business in the UK, sales director Keith Harris believes that the future for component diecasting must be in the European and other world markets.

Because international manufacturing is now commonplace, he believes component marketing is becoming more of a worldwide affair. Greater production capability coupled with improved productivity will mean that Britain can be competitive in not only the European market but also in any other country where the motor car or any other consumer product is being produced.

Unimation (Europe), Unit C, Stafford Park, Telford, Salop TF3 3A6, Telford 618931.

● …CESSING

… water hydraulics …facturing pact

REDMAN Broughton, the Birmingham based member of Redman Heenan International, has reached an agreement with Werner and Pfleiderer of Stuttgart by which the two companies will jointly engineer water-hydraulic systems for use in Britain.

Under this pact, Redman Broughton will design and manufacture manifold stations, valve stands, etc., and fit these out with Werner and Pfleiderer components which will include that company's solenoid-operated valves. Werner and Pfleiderer will also supply other items of equipment such as triple-throw high-pressure piston pumps and hydraulic accumulators.

Integrated systems operating at pressures up to 400 bar will be available but systems operating at higher pressures can be supplied if required. Although Redman Broughton will be free to export complete systems, the company intends to concentrate at first on the home market.

Water-hydraulic systems are making a distinct comeback, largely as a result of the development of low-speed high-volume pumps operating at high pressures which eliminate the need for accumulators.

Their inherent safety, which enables them to be used in hazardous areas such as steelworks, is another factor in their favour. Other advantages include the low cost not only of the initial fill but of make-up fluid as well. Normally the term "water" refers to an oil-in-water emulsion containing up to 5 per cent of a special oil to provide corrosion resistance and lubricating qualities.

Redman Broughton Ltd., 372, Farm Street, Hockley, Birmingham, B19 2UD. Telephone: 021-554 9373.

● CONTROL

Gamma rays guide the cutters

INVENTED IN Britain, a method of guiding coal-cutting machinery, developed by Salford Electrical Instruments under contract from the National Coal Board, uses the natural gamma radiation present in certain rocks and shales as a means of determining the thickness of coal in a seam.

The technique is incorporated in a new guidance system available from SEI which incorporates a natural gamma probe which can be fitted directly to a coal-cutting machine, a microprocessor-based indicator unit, a remote indicator and a power supply.

Basis of the operation is the fact that many materials in their natural state exhibit gamma-emission effects somewhat more pronounced than their surroundings, and this effect is particularly noticeable with shales and rock above and below many coal seams, where the gamma activity can be up to ten times higher than that from the intervening coal.

An important characteristic of this radiation is that it tends to be consistent for a given site—even along the entire length of a coalface—and the absorption of the radiation by different thicknesses of the coal bears a well-established relationship to the actual thickness. The levels of radiation are very low (activity is typically 20 picocuries per gram of material) and hence SEI have had to develop extremely sensitive equipment for monitoring and control purposes.

The radiation detector used in the system is the SEI Type 801 natural gamma probe, and would normally be mounted on the actual coal-cutting machine. It monitors the level of natural gamma flux penetrating the roof or floor of the coal seam, and provides both pulsed and analogue outputs proportional to the count rate. The probe can monitor coal thicknesses of up to 50 cm where the gamma activity of the overlying or underlying material is nominally 20 picories per gram in the energy band 30keV-2MeV.

The electronic characteristics of the SEI probe and associated indicator units allow machine speeds of up to 6m/min to be accommodated. The probe unit is of rugged construction to withstand a mining environment, and can withstand mechanical shocks of up to 50g.

Signals from the 801 probe unit are coupled to a microprocessor-based indicator unit which converts radiation-level measurements into coal-thickness information; this is then displayed on a vertical column of light-emitting diodes, which also gives the machine operator a clear indication of the predetermined coal thickness to be left on the roof or the floor and the deviation in 2 cm steps from this nominal thickness.

Salford Electrical Instruments, Barton Lane, Eccles, Manchester M30 0HL. 061-789 5081.

● IN THE OFFICE

Rank Xerox ready for battle

PUTTING ITSELF into better shape for the tough market battle in progress (notably with the Japanese) in office copying, Rank Xerox has completed an £8.5m investment at the Welwyn Garden City factory, with strong emphasis on cost effective production.

Some £6m has been spent on an array of electronics production hardware unlikely to be found elsewhere in the UK except in one or two major computer plants.

The factory contains, for example, the biggest UK concentration of Teradyne automatic printed circuit board testers—no less than 30 machines—making 100 per cent tests on boards that have had components inserted automatically by six X-Y table insertion units fed from component bandoliers. These sequenced rolls of devices are themselves assembled from the makers' single component bandoliers on a pair of 30 ft long equipments.

All the machines are computer controlled.

Annual throughput of the plant, which supplies boards for many of the company's European-built copiers, is over £40m—about £35,000 for each of the 1,200 production employees. Output increased 2½ times in 1979 and continues to rise due to the rapidly increasing electronics content of the latest copiers.

Welwyn is also the European production centre for photoreceptor drums and belts, the devices which capture the xerographic image for transfer to paper. In an area having considerable security protection and entirely closed to outsiders, vacuum deposition techniques are used on a large scale to apply the selenium alloy to give a uniform, defect-free surface. In all, some £7m has been spent in recent years in establishing the facility.

Newly housed on the site after a move earlier this year from Milton Keynes (now abandoned by Rank Xerox) is the company's engineering group of 450 people, able to deal with problems ranging from ergonomics to printed board and mechanical design.

Four computer-aided design terminals are in use feeding two big plotters able to produce PCB layouts or machine drawings up to the largest (AO) size. Computervision and Calcomp have supplied the equipment and the department writes its own software.

Heartening news, perhaps, for users of copiers who sometimes feel either intimidated or irritated by the demands of some machines, is of the existence of a group of people observing typical first use behaviour of volunteers. Based on the video-taped performance, attempts are made to improve the operator interface and so make the machines as likeable as possible.

Geoffrey Charlish

● INSTRUMENTS

Meters from a new British maker

PERFLOW Instruments, a new company, has been set up to market and manufacture a range of digital and liquid column pressure indicators and flowmeters. Its aim is to secure a substantial part of the world market for flowmeters and manometers. In the UK alone the market is estimated to be worth more than £25m a year.

The range of products and instruments includes flowmeters, manometers, differential pressure primary flow elements and complete systems, and electronic flow and pressure indicators and switches.

All the Perflow indicators are precision machined from clear rigid acrylic plastics, which means they will withstand even the most rugged site conditions. The material ensures complete stability and resists most atmospheric contaminants and corrosive chemicals.

The company also uses high-grade stainless steel for such hard-wearing parts as orifice plates and "flotameter" floats, and other rigid engineering plastics where low weight and low cost is required.

The new Perflow factory is at 83 Denzil Road, London, NW10 2UY and production starts on July 1. 01-451 4577.

● ENERGY

Saving the heat

BRITISH INDUSTRY loses millions of pounds a year with the escape of heat from uninsulated rooflights in many buildings (especially those built pre-1970) which may take up to 30 to 50 per cent of a total roof area.

Rooflights, in many cases facing north, north east or east, are exposed to severe weather conditions even in the more sheltered parts of the country.

Sweden has a product to aid thermal insulation of these rooflights. It is called Thermocell and is now being made in the UK by the company at Stonebow House, The Stonebow, York (0904 36440).

Specially developed for insulation of roof lights and vertical windows in industrial buildings, Thermocell is a glass-clear material which is extremely light in weight and, says the maker, easily installed to the inside surface of the glass area with minimum interference to normal production.

Transparent corrugated cellulose acetate sheets are welded together, with the corrugations running in alternate directions, to form a semi-rigid 3-ply cellular panel with an overall thickness of 18 mm.

By insulating roof lights with this material, very considerable savings will result, says the company, especially in oil fired factories where the return on capital will be in the region of 40 per cent based on current fuel prices (this does not take into account future increases in fuel cost).

* * *

NORTHLITE Insulation Services introduced its I.V.40/60 unit for application to north-facing rooflights, in January and has recently completed the first major project.

The module, which is formed in PVC, is fitted by means of an aggressive adhesive to the exterior of the glass and reduces the "U" value, in normal conditions, from 6.34 to 2.79 W/per square metre per degree and saves up to 60 per cent of the heat previously lost through the rooflights.

Walsall Lithographic, on whose premises the work was done, are old-established colour-printers and have a large area of Georgian wired glass over a printing area and offices. In order to maintain paper size continuity during the colour/printing process, this bay is heated 24 hours per day, seven days per week, 34 weeks per year and on this basis the pay-back period on the £17,000 installation is just over two years, achieved through energy savings.

Northlite guarantees the installation for a period of five years. Further large contracts are imminent.

Northlite, Webner Industrial Estate, Ettingshall Road, Wolverhampton WV2 2LD. 0902 49400.

* * *

A STRONG defence of rigid polyurethane and related foams for thermal insulation in domestic buildings was made by Mr. J. A. Dawson, of Plaschem, in a recent seminar attended by representatives of the London Borough of Croydon Housing Department, the National Coal Board and Harp Heating.

Polyurethane foams have been under attack as an alleged fire risk, but Mr. Dawson claimed that rigid polyurethane foams, as distinct from the flexible foams used in upholstery, were not only the most efficient and economical building insulants available but safe in everyday use.

Because they were light in weight, easily cut to shape and supplied in many forms to meet varying needs, they were convenient to use in a wide range of building applications and had unequalled thickness-for-thickness thermal efficiency, said Mr. Dawson.

The Fire Research Station had reported that its officers found no evidence of excessive smoke pollution in rooms caused by the burning of rigid foamed plastics ceilings and roofing materials.

* * *

UNDER THE wing of French Kier Products and Services a new company (French Kier Insulation) has been formed initially to work on cavity wall insulation, domestic and commercial.

It will use the new "Thermopearl" system developed in the laboratories of the Royal Dutch Shell Group and marketed in the UK by a new group company, Thermocomfort, based in Newbury, Berkshire.

Expanded Shell polystyrene beads, supplied by Kay-Metzeler of Wickford, Essex, coated with adhesive and injected into the wall cavity using a compressed air gun, is the material used.

On completion of a contract, a written guarantee is given by Thermocomfort for the lifetime of the building—expressing Shell's confidence in its product, following lengthy development of this new cavity infill material.

French Kier Insulation is based at 50, Epping New Road, Buckhurst Hill, Essex.

● CONSTRUCTION

Safer on the roof

PROVIDING SAFE access for roofing contractor Briggs Amasco on a building at Cross Green Industrial Estate in Leeds is a 14 metre high Haki stair turret.

Main contractor is Shepherd Construction which has regularly employed the Haki scaffolding system for use on jobs where no permanent staircase is immediately available.

The Haki stair turrets give safe access for men, small tools, and materials to all levels of a construction project, says the company, and are quick to erect and strike—with no loose fittings than can get lost during subsequent dismantling.

On open sites, the whole staircase can be moved around by cranes without dismantling.

Most of the components used in their assembly are also used in Haki access scaffold.

More from the company at North Anston Trading Estate, Houghton Road, Anston, Sheffield (090978 7631).

● COMPUTERS

Counter for continuous stationery

EQUIPMENT from Vacuumatic, of Harwich, Essex, will enable continuous stationery to be counted with comlete accuracy.

A type CH30 electronic counting head has been developed for fitment to a Super Two counting machine and will count part-set documents that could not be counted accurately on a standard machine.

Computerisation and data processing has caused a vast increase in the use of continuous stationery but until now there had been no reliable method of counting supplies accurately.

The newly modified Super Two will count supplies at 1,500 sheets per minute and tab at any required interval between 6-999.

Vacuumatic on Harwich (02555) 3101.

THE TEBBITT GROUP LIMITED

(Incorporated under the Companies Acts 1908 to 1917: Registered in England No. 165571)

Placing by
Singer & Friedlander Limited
of
4,166,668 Ordinary Shares of 10p each at 18½p per share

The Ordinary Shares now being placed rank pari passu in all respects with the existing ordinary share capital of the Company.

SHARE CAPITAL

Authorised		Issued and to be issued fully paid
£2,000,000	in Ordinary Shares of 10p each . . .	£1,553,210

BORROWINGS

At the close of business on 9th June, 1980 the Enlarged Group had outstanding borrowings or indebtedness in the nature of borrowings as follows:—

Bank overdrafts (secured)	£619,274
Bank overdrafts (unsecured)	£ 54,989
Hire purchase commitments	£ 74,561
Other borrowings (secured)	£ 25,574
Other borrowings (unsecured)	£ 51,667
Loan Stock	£239,892

Save as aforesaid and apart from intra-group borrowings, no member of the Enlarged Group, as at 9th June, 1980, had outstanding any loan capital, or loan capital created but unissued, mortgages, charges or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, or guarantees or other material contingent liabilities.

Directors
John Ransome Bentley (*Chairman*)
Peter Stephen Jackson
Alan Tyson Payne
Riley Anthony Winton Rudd
Hambleton House, 17b, Curzon Street, London W1Y 7FE

Secretary and Registered Office
Alan Tyson Payne F.C.A.,
Hambleton House, 17b Curzon Street, London W1Y 7FE

Bankers
Barclays Bank Limited,
160 Piccadilly, London W1A 2AB

Stockbrokers
Rowe Rudd & Co.,
63 London Wall, London EC2M 5UQ

Solicitors
Clifford-Turner,
Blackfriars House, 19 New Bridge Street, London EC4V 6BY
D. J. Freeman & Co.,
9 Cavendish Square, London W1M 9DD

Auditors to the Company
Smallfield, Fitzhugh, Tillett & Co.,
Chartered Accountants,
24 Portland Place, London W1N 4AU

Reporting Accountants
Stoy Hayward & Co.,
Chartered Accountants,
54 Baker Street, London W1M 1DJ

Trustees for the Loan Stockholders
The Law Debenture Corporation, Limited,
Estates House, 66 Gresham Street, London EC2V 7HX

Registrars and Transfer Office
Williams & Glyn's Registrars Limited,
P.O. Box 27, 31 St. Andrew Square, Edinburgh EH2 0DU

HISTORY AND BUSINESS

1. The Company

The Company was incorporated on 22nd March, 1820 and formerly carried on business as leather tanners and merchants.

Late in 1977 it was decided by the then Board to expand the business into other industrial fields and to rationalise the existing unprofitable tanning business. Two companies were acquired in 1978, Tape Projects Limited and Self-Seal Tape Company Limited, involved in the manufacture of self adhesive tapes for industrial and consumer use; these businesses required reorganisation, a process which is now virtually complete, and in 1979, a further extension of these activities was commenced when Tebbitt Flexible Packaging Limited (formerly W. E. Bridges & Sons Limited, a dormant subsidiary) was re-established to sell, as from the beginning of 1980, specialised converted papers and tapes to the packaging industry.

Also in 1979, Safecastle Limited and its subsidiary, Heyman Construction Limited, an engineering company specialising in the design and fabrication of steel structures, was purchased. During 1979, the leather manufacturing activities were finally rationalised and the remaining business is now carried out by a small management team from new leasehold premises in Northampton through Silvester Munt Limited, which has a successful trading record over a number of years as a leather merchanting and finishing operation. However, heavy expenses relating to the rationalisation of the tanning business, the reorganisation of the adhesive companies, and the termination of certain related and service contracts were the major causes of the exceptional losses in the Company's accounts. These, coupled with high interest charges, reduced the capital base and did not readily permit the Company to borrow in order to expand.

On 2nd January, 1980, Mr. J. R. Bentley was appointed Chairman of the Company and later that month a company of which he is a Director, John Baker (Insulation) Limited, completed the purchase of 20·8 per cent. of the then issued share capital of the Company. A Board reorganisation followed in which four directors, two executive and two non-executive, resigned from the Company with resultant savings in overheads.

In February 1980, an announcement was made to the Press that Barker had exchanged a conditional contract to sell Countess Road for £170,000 subject to the prior conclusion of a lease with the Company, and on 25th April, 1980 the Company announced the prospective acquisitions of Signgate and Queens Gate. On 11th April, 1980 the directors asked for dealings in the Ordinary Shares and Loan Stock of the Company to be suspended while documents relating to the acquisitions described below were prepared.

2. Signgate

Signgate was formed on 23rd January, 1976, by Mr. Colin Bray, a chartered surveyor, who has had many years' experience of property dealing, development and investment. Strongmead Limited ("Strongmead"), an investment holding company, was Mr. Bray's original and equal partner in Signgate.

Signgate started in business as originator and manager of a variety of property transactions on behalf of and in partnership with Strongmead and other private financial companies none of which (so far as the Directors are aware) were related to the Group or to any present Director of the Group. Signgate has operated principally in the purchase and improvement of tenanted property with a view to re-sale to sitting tenants or with vacant possession, as well as investing mainly in residential property. More recently it has acquired for re-sale a number of office and shop premises in the U.K. The partnership agreements provide for Signgate to participate in the sharing of profits, calculated either when the whole of the transaction has been completed or at the date of expiry of the agreement for those with a fixed term. Signgate also earns fees from time to time for the management of some of its joint venture projects. The Directors consider that the relationships with joint venture partners will not be impaired by the acquisition of Signgate by the Company.

In order to crystallise the profit sharing agreements, Signgate has, on occasion, bought, as principal, the remaining units in a project and thus has built up a portfolio of properties which it sells as offers are obtained. The portfolio of properties presently owned by Signgate is geographically widely spread throughout England and Scotland and consists of a number of small units, controlled and regulated tenancies, properties with vacant possession and let office and shop premises. The principal items comprise four blocks in London and the Home Counties, three of which are principally residential, where some of the individual units have been sold to sitting tenants and some are under negotiation. Some of the units sold with vacant possession are enlarged, others refurbished.

Mr. Bray's expertise in these areas has been instrumental in generating the profits, the growth of which is shown in the Accountants' Report set out below. As the capital resources of Signgate have increased, both through retained profits and from bank borrowings, it is less reliant on profit participation from joint ventures and has become more of a principal acting in its own right. Joint ventures are expected, however, to remain a useful source of revenue as these enable Signgate to profit from a greater volume of business than its present resources allow.

When conditional contracts were exchanged for the acquisition of Signgate, its stock of properties was valued as a trading asset and details of the four principal properties are shown in the valuation of Keith Lumley, A.R.I.C.S. below. At 31st December, 1979 Signgate had consolidated net assets of £210,000 and earned consolidated net profits before tax of £246,000 for the nine month period ended on that date.

3. Queens Gate

Queens Gate, which has been acquired by Barker for £1 million, is a large residential block and has been valued on an open market basis (see below) at £990,000. The property consists of 44 individual self-contained furnished flats of varying sizes which are let on a day-to-day basis. Under present legislation, these lettings are terminable within a maximum period of four weeks and, therefore, provide the owner with the benefit of letting income without prejudicing the vacant possession status referred to in the valuation below. In addition, the vendor of Queens Gate has warranted to Barker that vacant possession can be obtained upon the giving of four weeks' notice to the tenant or occupier.

MANAGEMENT AND EMPLOYEES

(a) *The Company*

Mr. J. R. Bentley, who is aged 40, joined the Company on 2nd January, 1980 and is Chairman and Managing Director of the Company. He is presently engaged full time in the business of the Group and intends to continue to be so engaged. He was formerly Chairman and/or Managing Director of a number of public companies including Barclay Securities Limited, a holding company involved in the acquisition, financing and rationalisation of commercial businesses and in industrial, office and residential property transactions, from 1969 to 1973, Lion International Limited and Weston Pharmaceuticals Limited, and has been a director of a number of public companies since 1966. He is also a director of and substantial shareholder in John Baker (Insulation) Limited which currently owns *2,000,000 Ordinary Shares in* the Company. (See paragraph 7 of Statutory and General Information below).

Mr. P. S. Jackson, who is aged 43, joined the Company in 1978 and is an executive Director of the Company with particular responsibility for the management of the existing divisions. He has a financial background as a Clearing Bank manager and a merchant banker, before becoming a business consultant and director of various companies.

Mr. A. T. Payne, F.C.A., who is aged 42, joined the Company in 1979 following a number of years in industry with major industrial and retail groups. He is responsible for the accounting and secretarial functions of the Group.

Mr. R. A. W. Rudd, who is aged 56, joined the Company as a non-executive Director in November 1979. He is the senior partner of Rowe Rudd & Co., the Company's Stockbrokers.

The Group has approximately 130 employees.

(b) *Signgate*

Mr. Bray, who is aged 37, was joint founder of Signgate and has been Managing Director since shortly after its incorporation. He is a chartered surveyor and was formerly with Allsop & Co. and City Centre Properties Limited before becoming Managing Director of Buckingham Properties Limited, a wholly owned subsidiary of Slater, Walker Securities Limited, in 1970. He has long experience in the property field and has two assistants, both of whom have more than ten years' experience in property matters, to assist him in his work of property dealing, investment and development. Mr. Bray will remain as Managing Director of Signgate and will continue to expand that company's property activities within the Enlarged Group by service and management agreements outlined in paragraph 8 of Statutory and General Information below.

Mr. J. R. Bentley has joined the Board of Signgate.

PROFITS AND ASSETS

A pro forma statement of the consolidated net assets of the Enlarged Group, reflecting the disposal of Countess Road and the acquisitions of Signgate and Queens Gate, is set out below. The profits of Signgate for the four accounting periods ended 31st December, 1979 are also set out below in the accountants' report. The vendors of Signgate have warranted the net profits before tax of Signgate and its subsidiaries for the year to 31st December, 1980 at not less than £325,000. No estimate has been made for any contribution from Queens Gate.

The rationalisation and reorganisation of the Group mentioned earlier is now virtually complete. The Board is of the opinion that operating losses in all divisions have been finally eliminated but they do not consider it appropriate to make a profit forecast.

PROSPECTS AND FUTURE POLICY

The Board considers that the acquisitions of Signgate and Queens Gate will substantially improve the assets and earnings of the Group. Signgate is engaged in an area of the property market which, the Board anticipates, should bring about a high return on capital and will consequently improve the net asset base. *The amount of equity capital being issued by the Company relative to the warranted profits of* Signgate is considered favourable to the Group. Queens Gate is also expected to benefit the Group under Signgate's management.

It is the intention of the Board to continue to strengthen the Enlarged Group by acquisition. *Although the acquisitions of Signgate and Queens Gate are directed to the area of property dealing,* development and investment, and the expertise of Signgate's management has been acquired to continue in this direction, the Board also intends to expand the Company's industrial interests whenever profitable opportunities occur.

VALUATION OF THE PROPERTIES OF SIGNGATE

The following is a copy of the valuation by Keith Lumley, A.R.I.C.S.:

The Directors,
The Tebbitt Group Limited,
Hambleton House,
17b Curzon Street,
London W1Y 7FE.

19 Devonshire Street,
London W1N 1FS.

30th May, 1980

Dear Sirs,

Signgate Properties Limited ("Signgate")

Following your request, I have now considered the portfolio of properties owned by the above company having regard to the varying tenures under which they are held and also the tenancies existing at this time.

The portfolio comprises residential houses and flats and various commercial properties, the four principal properties being described below. I have not had the opportunity of looking into the titles under which the properties are held and I have relied upon the information given to me by Signgate and which is stated against each property below. In respect of the residential flats and houses, account has been taken of the rents received from Signgate's tenants and of the liability placed upon Signgate to repair and to contribute towards service charges under the covenants of the leases held. No account has been taken of ground rents received by Signgate from long leasehold tenants as for *the purposes of this valuation, their value is considered to be nominal.*

Property	*Description age and tenure*	*Terms of existing tenants' leases*	*Estimated current net annual rental before tax*	*Valuation*
Overstrand Mansions, Prince of Wales Drive, London S.W.11	Purpose built block of mansion flats built at the turn of the century. Signgate's interest in the Freehold section comprises twelve flats, eight of which have six rooms, kitchen and bathroom, three have three rooms, kitchen and bathroom and one has two rooms, kitchen and bathroom. Signgate's interest in the Leasehold section, for a term of 99 years from 25th March, 1892 at a fixed rent of £550 *per annum, comprises one* two-room flat and seven five-room flats, all with kitchen and bathroom.	Two of the flats are vacant at present and the remaining ten are occupied on regulated tenancies. Seven of the flats are let on regulated tenancies and the remaining flat is occupied *by the Caretaker.*	£5,900	£95,000
92-95 Wilton Road, London S.W.1	Purpose built block of twelve flats (one of which was sold in July, 1979 and two of which were sold in January, 1980) comprising one room, kitchen and bathroom built in 1962 with three shops on the ground floor held on a 99 year lease from 10th February, 1962 at a rent of £600 per annum subject to review at 21st, 42nd and 63rd years.	All three shops and eight of the flats are subject to tenancies at widely varying rents and one flat is vacant.	£4,975	£57,000
112-114 High Street, Rickmansworth, Hertfordshire	Freehold building comprising two shops on the ground floor with office accommodation of approximately 2,075 square feet above.	The shops are let on full repairing and insuring leases at varying rents with terms expiring between 2000 and 2002 subject to 5 yearly reviews. The office accommodation is vacant.	£4,250	£150,600
Clovelly Court, Upminster Road, Hornchurch, Essex	Freehold block of purpose built flats for which contracts for sale have been exchanged at £120,000.	—	—	£116,000 (net proceeds)

In addition the portfolio of properties owned by Signgate comprises a number of smaller commercial and residential properties and I consider that the value of the total portfolio, including those properties detailed above, is consistent with the present capital value in its existing state (inclusive of the net proceeds of sale of the two flats in Wilton Road disposed of in January, 1980) and is fairly represented in the Consolidated Balance Sheet of Signgate and its subsidiaries as at 31st December, 1979 in the amount of £569,890.

Yours faithfully,
KEITH LUMLEY, A.R.I.C.S.,
Chartered Surveyor.

VALUATION OF QUEENS GATE

The following is a copy of the valuation of Aylesford and Company:

The Directors,
The Tebbitt Group Limited,
Hambleton House,
17b Curzon Street,
London W1Y 7FE.

440 Kings Road,
Chelsea,
London SW10 0LH.

2nd June, 1980

Dear Sirs,

39 and 40 Queens Gate and 17 Elvaston Mews, London S.W.7

Acting on your instructions, we have carried out an inspection of the above-mentioned properties in order to advise you as to our opinion of the current open market value of the freehold interests.

The buildings consist of two adjoining terraced properties converted and modernised into various units within the last twenty years. At present they comprise some 44 independent self-contained flats of varying sizes and accommodation.

The buildings have been used as furnished letting units over the past few years and each flat is fairly standard in appearance offering, in many cases, internal cupboard kitchens, small self-contained bathrooms and in a few instances, galleried sleeping or reception areas. Approximately 60 per cent of the accommodation comprises studio kitchen and bathroom apartments and approximately 40 per cent comprises two rooms, kitchen and bathroom apartments.

At ground floor level modernisation work is currently in progress with new glass fire doors in the reception and redecoration being carried out to the walls and common parts.

Subject to the minor modernisation and redecoration presently being carried out and to vacant possession of the whole being given, we are of the opinion that the value, including all fitted carpets, curtains and kitchen units is fairly represented in the sum of £990,000.

Yours faithfully,
G. Nall, A.R.I.C.S.
for and on behalf of AYLESFORD AND COMPANY

FINANCIAL INFORMATION RELATING TO THE GROUP

The following information relating to the Group for the five years ended 31st December, 1979 and the consolidated balance sheet at 31st December, 1979 is taken from the audited consolidated accounts of the Group:—

1. Consolidated Profit and Loss Accounts.

	1975 £'000	1975 £'000	1976 £'000	1976 £'000	1977 £'000	1977 £'000	1978 £'000	1978 £'000	1979 £'000	1979 £'000
Turnover		2,393		2,280		1,834		1,808		2,781
Profit/(loss) on trading before charging the following:		50		107		(111)		(111)		90
Depreciation	17		24		21		59		50	
Auditors' remuneration & expenses	3		4		5		12		13	
Directors' remuneration	16		15		19		37		68	
Plant & equipment hire	—		—		—		—		28	
Interest on bank overdrafts & loans	80		73		61		50		84	
Interest on unsecured Loan Stock (Gross)	6		6		6		21		36	
Interest on Second Debenture Loan (Gross)	—		—		1		5		4	
		122		122		113		184		284
		(72)		(15)		(224)		(295)		(194)
Miscellaneous income		28		40		10		2		3
Profit/(loss) before taxation		(44)		25		(214)		(293)		(191)
Taxation:										
Corporation tax on profits for the year	—		10		—		—		—	
Deferred taxation	(1)		27		(28)		—		—	
Adjustments in respect of prior years	(15)		—		(5)		—		1	
		(17)		37		(33)		—		1
Profit/(loss) after taxation		(27)		(12)		(181)		(293)		(192)
Extraordinary charges/(credits)		(5)		(4)		26		289		(43)
Profit/(loss) for the year		(22)		(8)		(207)		(582)		(149)

2. Consolidated Balance Sheet at 31st December, 1979.

	£'000	£'000
Fixed Assets		
Properties and Equipment		567
Goodwill arising on acquisitions		198
		765
Current Assets		
Stocks	282	
Debtors, less provision	680	
Cash and bank balances	98	
		1,060
		1,825
Current Liabilities		
Creditors	737	
Second Debenture loan	18	
Short term loans	38	
Members for return of capital and dividends	1	
Bank overdrafts (£358,000 secured)	440	
Taxation	57	
		1,291
Total Net Assets		534
Financed by:		
Issued Shares	960	
Share Premium	29	
Reserves and (Deficits)	(711)	
		278
Convertible Unsecured Loan Stock 1983		240
Long term loans (secured)		16
		534

3. Group Accounting Policies

The Accounting policies described below in Part A of the Accountants' Report on Signgate are, with the *following exceptions, with the effects as noted, the same as those presently adopted for Group accounts:*

(a) Goodwill arising on consolidation is not written off in the year of acquisition in Group accounts. The effect is an understatement of assets and reserves in the Signgate accounts by £14,000.

(b) Deferred taxation is not provided in Group accounts to the extent of £142,750 at 31st December, 1979 *by reason of Group losses; and of this £22,650 is not covered by* Group losses and represents a contingent liability.

ACCOUNTANTS' REPORT ON SIGNGATE

The following is a copy of the report on Signgate received from the Company's reporting accountants, Stoy *Hayward & Co., Chartered Accountants:—*

54 Baker Street,
London W1M 1DJ

The Directors,
The Tebbitt Group Limited,
Hambleton House,
17b Curzon Street,
London W1Y 7FE

30th *May*, 1980

Gentlemen,

SIGNGATE PROPERTIES LIMITED

We have examined the audited accounts of Signgate Properties Limited ("Signgate") and its wholly owned subsidiaries from the date of incorporation of Signgate on 23rd January, 1976 to 31st December, 1979. Signgate and its subsidiaries are together referred to as the "Signgate Group".

The information in this report is based upon the audited accounts of the Signgate Group (after making such adjustments as we consider appropriate). The accounts have been prepared under the historical cost convention and in accordance with the standards approved from time to time by the accountancy bodies.

In our opinion the information gives a true and fair view of the profits and source and application of funds of the Signgate Group from the 23rd January, 1976 to 31st December, 1979 and of the state of affairs of the Signgate Group at 31st December, 1979.

A. Accounting Policies

The principal accounting policies which have been adopted in arriving at the financial information set out in this report are:

(a) Turnover:—
Turnover represents the total amount receivable by the Signgate Group in respect of property sales.

(b) Group accounts:
Group accounts consolidate the accounts of Signgate and of Forestpalm Limited from 1st December, 1978 and of Platedrive International Limited from 1st April, 1979 on which dates these companies became subsidiaries of Signgate. Goodwill arising on consolidation is written off in the year of acquisition.

(c) Property held for resale:
Property held for resale is stated at the lower of cost and net realisable value.

(d) Depreciation:
Depreciation of furniture and fittings is calculated at 15% per annum on cost. Short leasehold property is amortised in equal instalments over the period of the lease.

(e) Deferred taxation:
Deferred taxation represents a provision for corporation tax at 52% on:
(i) the excess net book value of fixed assets over their corresponding written down value for taxation purposes, plus
(ii) stock appreciation relief claimed to date, less
(iii) the anticipated benefit of advance corporation tax on the proposed dividend.

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B. Profit and Loss Accounts

The profit and loss accounts of the Signgate Group for the period from 23rd January, 1978 to 31st December, 1979 are as follows:

	Fourteen months to 31st March, 1977 £'000	Year to 31st March, 1978 £'000	Year to 31st March, 1979 £'000	Nine months to 31st December, 1979 £'000
Turnover	84	61	356	281
Other income				
Share of joint venture profits	30	61	94	296
Fees receivable	33	35	44	19
	147	147	494	596
Cost of sales	(111)	(97)	(347)	(350)
Including:				
Interest payable	(5)	(3)	(4)	(8)
Depreciation	—	—	(1)	(1)
Share of associated company profits	—	—	2	1
Interest receivable	1	—	1	4
Rental income	—	—	2	16
Profit before taxation	36	50	147	246
Taxation	(16)	(30)	(78)	(130)
	20	20	69	116
Minority interest	—	—	(1)	—
	20	20	68	116
Extraordinary items (note 1)	—	—	16	3
	20	20	84	119
Goodwill arising on consolidation written off	—	—	(14)	—
	20	20	70	119
Proposed dividend (note 2)	—	—	—	(21)
Unappropriated profit	20	20	70	98

Notes:

1. Extraordinary items

Extraordinary items represent:

	Year ended 31st March, 1979 £'000	Nine months ended 31st December, 1979 £'000
Gain on disposal of business	12	—
Attributable share of associated company gain on disposal of fixed assets	4	—
Gain on sale of shares in associated company	—	3
	19	3

2. Proposed dividend

The dividend proposed for the nine months ended 31st December, 1979 is equal to £210 per ordinary share of £1 each.

C. Balance Sheets

The following is a summary of the balance sheets of the Signgate Group and of Signgate at 31st December, 1979:

	Notes	Signgate Group £'000	Signgate Group £'000	Signgate £'000	Signgate £'000
Fixed assets	1		7		7
Investment in Subsidiary (£147)					—
Current assets					
Property held for resale		570		556	
Debtors		119		119	
Bank balances and cash		2		—	
		691		675	
Current liabilities					
Creditors		128		127	
Taxation	2	23		18	
Bank overdrafts (secured)		64		64	
Proposed dividend		21		21	
		236		230	
Net current assets			455		445
			462		452
Deferred taxation	3		252		252
Net assets			210		200
Represented by:					
Share capital (£100)	4		—		—
Reserves	5		210		200
			210		200

Notes:

1. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation as follows:

	Cost £'000	Depreciation £'000	Net Book Value £'000
Short leasehold property	2	—	2
Furniture and fittings	7	2	5
	9	2	7

2. Taxation

Taxation has been provided after allowing for losses and group relief and represents:

	Signgate Group £'000	Signgate £'000
Corporation tax at 52% (payable 1st October, 1980)	14	8
Advance corporation tax on the proposed dividend (payable 14th April, 1980)	9	9
	23	18

3. Deferred Taxation

The deferred tax balance is made up as follows:

	£'000
Timing differences at 52%	
Stock appreciation relief	259
Capital allowances	2
	261
Deduct: advance corporation tax on proposed dividend	(9)
	252

4. Share Capital

	£
Authorised issued and fully paid 100 Ordinary Shares of £1 each	100

5. Reserves

	Signgate Group £'000	Signgate £'000
Capital reserve	—	14
Capital reserve arising on consolidation	2	—
Unappropriated profit	208	186
	210	200

D. Source and Application of Funds

The source and application of funds statements of the Signgate Group for the period from 23rd January, 1978 to 31st December, 1979 are as follows:

	Fourteen months to 31st March, 1977 £'000	Year to 31st March, 1978 £'000	Year to 31st March, 1979 £'000	Nine months to 31st December, 1979 £'000
Source of funds:				
Profit before taxation	36	50	147	246
Adjustments for items not involving the movement of funds:				
Depreciation	—	—	1	1
Loss on disposal of fixed assets	—	—	—	2
Profit retained in associated company	—	—	(2)	(1)
Minority interest in subsidiary company's retained profit on acquisition	—	—	8	—
since acquisition	—	—	1	—
	—	—	8	2
Total generated from operations	36	50	153	248
Funds from other sources:				
Sale of fixed assets	—	3	—	—
Extraordinary item	—	—	19	—
Sale of shares in associated company	—	—	—	36
	—	3	19	36
Total Source of Funds	36	53	172	284
Application of Funds:				
Purchase of fixed assets	6	—	6	5
Tax paid	—	1	—	27
Purchase of shares in associated company	—	—	20	—
Purchase of goodwill in subsidiary company	—	—	14	—
Purchase of additional shares in subsidiary company	—	—	—	6
	(6)	(1)	(39)	(38)
	30	52	133	246
Increase/(Decrease) in Working Capital				
Property held for resale	45	161	138	229
Debtors	58	9	(8)	57
Creditors	(64)	(10)	(109)	17
	39	160	21	303
Movement in net liquid funds:				
Bank and cash balances	—	—	58	(56)
Bank overdraft	(9)	(108)	54	(1)
	(9)	(108)	112	(57)
	30	52	133	246

E. Dividends

Signgate proposed a dividend of £21,000 at 31st December, 1979 which has since been paid. No other dividends have been paid or declared by Signgate during the period covered by this report or subsequent to 31st December, 1979.

F. Accounts

There are no audited accounts subsequent to 31st December, 1979.

Yours faithfully,

STOY HAYWARD & CO.
Chartered Accountants

PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following pro forma statement sets out the combined net assets of the Enlarged Group and is based on the audited consolidated accounts of Signgate at 31st December, 1979, as adjusted by Stoy Hayward & Co. for the purposes of their Accountants' Report, and of the Group at 31st December, 1979 adjusted in the manner set out below in the notes to reflect the disposal of Countess Road and the acquisition of Signgate and Queens Gate by the Company and Barker respectively.

	£'000	£'000	£'000
Fixed Assets			
Properties and equipment		704	
Goodwill arising on acquisition		787	
			1,491
Current Assets			
Stock and properties held for resale	1,602		
Debtors, less provision	800		
Cash and bank balances	100		
		2,502	
Current Liabilities			
Creditors	1,160		
Second debenture loan	18		
Short term loans	38		
Members for return of capital and dividends	1		
Bank overdrafts (£257,000 secured)	338		
Taxation	105		
Proposed dividend	21		
		1,681	
Net Current Assets			821
Total Net Assets			2,312
Financed by:—			
Issued shares		1,553	
Share premium		336	
Reserves/(deficits)		(736)	
			1,153
Deferred taxation			252
Convertible Unsecured Loan Stock 1983			240
Long term loans			667
			2,312

Notes:

1. The above statement incorporates Queens Gate at cost, divided as to freehold reversion at £250,000 shown under Fixed Assets and leasehold interest at £750,000 included in stock and properties held for resale.
The £650,000 mortgage loan obtained upon acquisition is included in long term loans.
2. (a) The net proceeds of £165,000 arising from the disposal of Countess Road equals book value and fixed assets and bank overdrafts have been reduced by this amount.
(b) Provision has been made for estimated taxation of £25,000 payable as a result of the disposal of Countess Road with a similar increase in deficits.
(c) Building costs incurred concurrent with the sale and leaseback of Countess Road have been provided at £45,000 giving an increase in creditors and fixed assets by this amount.
3. Provision of £150,000 has been made for estimated costs of acquisitions and costs incurred in connection with the share issue.
4. Share premium account has been credited with £467,000 premium on shares to be issued and reduced by costs of £150,000 as mentioned in 3 above.
5. No adjustments have been made for profits or losses accruing since 31st December, 1979.

STATUTORY AND GENERAL INFORMATION

1. Share and Loan Capital

(a) *The Group*

There have been the following changes in the authorised and issued share capital of the companies in the Group in the two years prior to the date of issue of this document:—

(i) On 29th January, 1979 the authorised share capital of the Company was increased from £1,100,000 to £1,350,000 by the *creation of 2,500,000 Ordinary Shares of 10p each.*
(ii) On 30th January, 1979 2,400,000 Ordinary Shares of 10p each of the Company were issued in part satisfaction of the consideration payable for the acquisition by the Company of Safecastle Limited (which has one subsidiary Heyman Construction Limited).
(iii) On 24th July, 1979 720 Ordinary Shares of 10p each of the Company were issued on the conversion of £108 nominal of the Loan Stock.
(iv) On 25th June, 1980 the authorised share capital of the Company was increased from £1,350,000 to £2,000,000 by the creation of a further 6,500,000 Ordinary Shares of 10p each.

Under the terms of the Signgate Agreement, which are detailed in paragraph 10 below, 3,986,929 Ordinary Shares of 10p each in the Company fall to be issued to the vendors of Signgate in satisfaction of the initial instalment of the purchase consideration of which 2,222,223 such Ordinary Shares are to be placed pursuant to the agreement referred to in paragraph 3 below.

Under the terms of the Queens Gate Agreement, which are detailed in paragraph 11 *below,* 1,944,445 *Ordinary* Shares of 10p each in the Company fall to be issued to the vendor of Queens Gate in part satisfaction of the purchase consideration, all of which are to be placed pursuant to the agreement referred to in paragraph 3 below.

Following completion of the acquisitions of Signgate and Queens Gate and the issue of 5,931,374 Ordinary Shares of the Company pursuant thereto 4,467,906 Ordinary Shares of 10p each will remain unissued (22·34%) of which a maximum of 1,370,811 such Ordinary Shares (6·85%) are reserved to meet the conversion rights attached to the Loan Stock. Save for issues of Ordinary Shares in connection with the exercise of the conversion rights no further issue of Ordinary Shares, which would effectively alter the control of the Company, will be made without the prior approval of the Company in General Meeting.

(b) *Signgate and its subsidiaries*

Signgate was incorporated on 23rd January, 1978 with an authorised and issued share capital of £100 divided into 100 Ordinary Shares of £1 each. On 25th June, 1980 the authorised share capital was increased to £110 by the creation of 10 additional Ordinary Shares of £1 each which were issued to the vendors of Signgate and the existing 100 Ordinary Shares were converted into a like number of 1 per cent. Non-Cumulative Non-Participating Deferred Shares of £1 each.

Forestpalm Limited was incorporated on 24th February, 1978 with an authorised and issued share capital of £100 divided into 100 Ordinary Shares of £1 each all of which are now beneficially owned by Signgate.

Platedrive International Limited was incorporated on 11th March, 1974 with an issued share capital of £2 divided into two Ordinary Shares of £1 each both of which are now beneficially owned by Forestpalm Limited.

(c) *The Enlarged Group*

No member of the Enlarged Group, other than the Company, has any loan capital outstanding. Save as otherwise stated herein in the two prior years to the date of issue of this document:—

(i) No share or loan capital of any member of the Enlarged Group has been issued either for cash or for a consideration other than cash;
(ii) No share or loan capital of any member of the Enlarged Group is now proposed to be issued or is under or agreed conditionally or unconditionally to be put under option;
(iii) No commissions, discounts, brokerages, or other special terms have been granted by any member of the Enlarged Group in connection with the issue or sale of any part of its share or loan capital.

2. Particulars of the Loan Stock

The Loan Stock, which is unsecured, carries interest at the rate of 15 per cent. per annum payable half-yearly on 30th June and 31st December. The Loan Stock is redeemable on 31st December, 1983 and Stockholders have the *right to convert* into *Ordinary Shares during* the period 30th *May* to 30th *June* and 1st *November to 30th November* 1980 at the rate of 10p nominal of ordinary share capital for every 17·5p nominal of Loan Stock converted and during the period 15th May to 15th June 1981 at the *rate* of 10p nominal of ordinary share capital for every 20p nominal of Loan Stock converted.

3. The Placing Agreement

Singer & Friedlander Limited, by an agreement referred to in paragraph 9 (f) below, has agreed to purchase 2,222,223 Ordinary Shares of 10p each of the Company from the vendors of Signgate and 1,944,445 such Ordinary Shares from the vendor of Queens Gate, in each case at 18p per share, which will then be placed at 18½p per share.

The placing agreement is conditional upon the Council of The Stock Exchange granting a listing for the whole of the share capital of the Company issued and to be issued. The agreement also provides, *inter alia,* that the Company will pay the costs and expenses of and *incidental* to the application for a *listing* of the whole of the share capital of the Company issued and now to be issued, the accountancy and legal fees, the cost of printing and publishing these particulars, the capital duty on the increase in the share capital of the Company and all other costs and expenses, including a fee to Singer & Friedlander Limited. The total costs payable by the Company are estimated to amount to £150,000 exclusive of VAT.

4. Articles of Association

The Articles of Association of the Company contain, *inter alia,* provisions to the following effect:—

Voting

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, at any General Meeting on a show of hands every Member who (being an individual) is present in person or (being a corporation) is represented by a duly authorised representative shall have one vote, and on a poll every Member who is present in person or by proxy shall have one vote for every share of which he is the holder.

Directors

(a) A Director shall not be required to hold any qualification shares.

(b) Each of the Directors, other than the Chairman of the Board, shall be entitled to remuneration at the rate of £350 per annum and the Chairman shall be entitled to remuneration at the rate of £500 per annum. The Directors *shall also be entitled to be repaid their travelling,* hotel and *other expenses of attending and returning* from meetings of the Board or committees of the Board or General Meetings or otherwise properly incurred while engaged on the business of the Company.

(c) Any Director who is appointed to any executive office or who serves on any committee or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a Director may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

(d) A Director may hold any other office or place of profit under the Company (except that of Auditor) in conjunction with his office of Director.

(e) No Director shall be disqualified by his office from contracting with or being interested in any contract with the Company, nor shall any Director so contracting or being so interested be liable to the Company for any profit realised by any such contract or arrangement provided that a Director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall have declared the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if his interest then exists, or in any other case at the first meeting of the Board after he becomes so interested.

(f) A Director shall not vote in respect of any contract or arrangement in which be is also interested and if he does so vote it shall not be counted.

(g) A Director shall be entitled to vote in respect of any Resolution concerning any of the following matters namely:—

(i) any arrangement for giving a Director security for advances or by way of indemnity;
(ii) any contract for the allotment to or any contract or arrangement for the underwriting or subscription by a Director of shares or debentures of the Company;
(iii) any arrangement for the payment by the Company of any pension or other retirement, superannuation, death or disability benefits to or to any person in respect of any Director or ex Director and for the purposes of providing any such pensions or other benefits to contribute to any scheme or fund or pay premiums.

(h) There is no compulsory retirement age for Directors and a Managing or Executive Director shall not be subject to retirement by rotation while he continues to hold that office.

Borrowing Limits

The Directors may borrow or raise from time to time such sums of money as they think necessary for the purposes of the Company. The aggregate amount at any one time owing by the Enlarged Group in respect of money borrowed by all the members of the Enlarged Group (exclusive of intra-group borrowings) shall not at any time, without the previous sanction of the Company in General Meeting, exceed a sum equal to the greater of £1,000,000 or five times the aggregate of the amount paid up on the issued share capital of the Company, the amount paid up on any issued irredeemable loan capital of the Company and the amount standing to the credit of the reserves of the Enlarged Group, all as shown by the latest audited consolidated Balance Sheet of the Enlarged Group but adjusted to reflect any variations since the date of such Balance Sheet in the amounts of such paid-up share capital and reserves and to exclude any sums set aside for taxation, amounts attributable to minority interests in subsidiaries, any amount attributable to goodwill and any debit balance on profit and loss account.

5. Subsidiary Companies

The Company has the following subsidiaries, none of whose shares is listed on any Stock Exchange and all of which are wholly owned:—

Name	*Place and Date of Incorporation*	*Issued Share Capital (£)*	*General Nature of business*
Tebbitt Group Exports Limited	England, 28th May, 1970	100	Dormant
George Barker & Company Limited	England, 22nd November, 1907	34,751	Property investment
Tebbitt Flexible Packaging Limited	England, 30th October, 1953	63,500	Paper packaging merchants
The Dalkeith Leather Company (Kettering) Limited	England, 18th March, 1935	9,526	Dormant
Silvester Munt Limited	England, 1st December, 1950	36,000	Processing, finishing & merchanting of leather
Northampton Tanning Company Limited	England, 25th November, 1937	715	Dormant
Tape Projects Limited	England, 15th June, 1977	100	Manufacture of self adhesive packaging products.
Self-Seal Tape Company Limited	England, 6th November, 1967	20,000	Manufacture of self adhesive packaging products.
Signgate Properties Limited	England, 23rd January, 1978	110	Property dealing
Forestpalm Limited	England, 24th February, 1978	100	Property dealing
Platedrive International Limited	England, 11th March, 1974	2	Dormant
Safecastle Limited	England, 6th June, 1973	3,320	Holding company
Heyman Construction Limited	England, 9th April, 1948	10,000	Structural steelwork and fabrication
The Tebbitt Pension Trustees Limited	England, 15th June, 1971	2	Dormant

6. Premises

The following are the principal properties occupied by the Group all of which are leasehold.

Address	*Occupier*	*Approx. Area*	*Rent*	*Review*	*Expiration*
Cobbs Wood Industrial Estate, Ashford, Kent	Heyman Construction Ltd.	2.86 acres (Factory 32,000 sq. ft.)	£24,000 p.a.	5 yr (next Dec. 1983)	2001
Cobbs Wood Industrial Estate, Ashford, Kent	Heyman Construction Ltd.	Warehouse 20,000 sq. ft.	£22,000 p.a.	6 yr (next Sept. 1981)	2001
2 & 4 Avon Trading Estate, London W14	Self-Seal Tape Co. Ltd.	10,565 sq. ft.	£9,265 p.a.	—	Expired. This lease is to be renegotiated with new landlords
Ward Road, Bletchley, Milton Keynes	Tape Projects Ltd.	10,000 sq. ft.	£10,873 p.a.	3 yr (next Sept. 1979)	1996
Unit 3 St James Mill Rd. Northampton	Silvester Munt Ltd. Tebbitt Flexible Packaging Ltd.	4,760 sq. ft.	£7,618 p.a.	5 yr (next Mar. 1984)	2004
Countess Road, Northampton	The Company	1 acre site Factory area 45,000 sq. ft. gross.	£30,000 p.a.	4 yr (next Mar. 1984)	2003
Hambleton House, 17b Curzon Street, London W1	The Company	567 sq. ft.	£5,402 p.a.	—	1981

7. Directors' and other interests

The interests of the Directors of the Company, including family interests, in the issued ordinary share capital and Loan Stock of the Company as shown in the registers maintained under the provisions of the Companies Act 1967, all of which are beneficial, are as follows:—

	Number of Shares	*Loan Stock*
J. R. Bentley	2,000,000	—
P. S. Jackson	40,000	—
A. T. Payne	50,000	—
R. A. W. Rudd	5,000	£2,000

Under the terms of the Signgate Agreement Mr. C. T. Bray, one of the vendors of Signgate, becomes entitled *to receive 882,353 Ordinary Shares of 10p each in the Company* in *part satisfaction* of the purchase consideration due to him thereunder. Pursuant to an option agreement between Mr. Bentley and Mr. Bray dated 10th April, 1980, Mr. Bray has granted Mr. Bentley a call option over 25,000 of such shares and Mr. Bray has a put option on Mr. Bentley in respect of 50,000 of such shares. The option price is 17p per share and either option is only capable of exercise during the six month period commencing with the date of completion of the acquisition of Signgate provided that if the put option is first exercised the call option shall not thereafter be exercisable and similarly if the call option is first exercised the put option shall not thereafter be exercisable.

Mr. J. R. Bentley is a director of John Baker (Insulation) Limited which beneficially owns the 2,000,000 Ordinary Shares of 10p each of the Company (being 12·9% of the enlarged issued share capital of the Company) which are referred to against Mr. J. R. Bentley's name above. John Baker (Insulation) Limited in currently negotiating a substantial potential acquisition with a third party which, subject to Baker shareholders' approval, may result in the sale of its shareholding in the Company to Mr J. R. Bentley. Mr. Bentley would propose to retain these shares as an investment.

No Director of the Company has any interest, direct or indirect, in any assets (other than Company cars) which, in the two years prior to the date of issue of this document, have been or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group and no Director has any material interest in any contract or arrangement entered into by the Enlarged Group which is significant in relation to the business of the Enlarged Group as a whole.

Mr. R. A. W. Rudd is a partner in Rowe Rudd & Co., the Company's Stockbrokers, which will be receiving a fee in connection with the placing.

Save for the interests of John Baker (Insulation) Limited, of Mr. C. T. Bray in 882,353 Ordinary Shares (5·7%) and of Henry Street Investments Limited in 882,353 Ordinary Shares (5·7%), the Company is not aware of any person having an interest in 5 per cent. or more of the share capital of the Company issued or to be issued.

The aggregate emoluments of the then Directors of the Company for its financial year ended 31st December, 1979 were £68,152 and the estimated aggregate emoluments of the present Directors of the Company for its financial year ending 31st December, 1980, are £48,050.

8. Service Contracts

No Director of the Company has a service agreement with any member of the Enlarged Group which is not determinable without payment of compensation within one year.

The following two year Service and Management agreements have been entered into and are to take effect from completion of the acquisition of Signgate:—

(a) An agreement dated 25th June, 1980 between Signgate (i) and Starend Limited (ii) whereunder Starend Limited will manage Signgate's property portfolio and make the services of Mr. C. T. Bray available to Signgate in this connection for a fee at the annual rate of £17,500 until 31st December, 1980 and thereafter at the rate of £20,000.

(b) An agreement dated 25th June, 1980 between the Company (i) and Mr. C. T. Bray (ii) whereunder Mr. Bray will manage the Enlarged Group's property portfolio in return for a fee of £2,500 per annum together with such additional remuneration and the right to participate in any profits realised by the Company from transactions introduced by Mr. Bray, in each case, as the parties may agree.

9. Material Contracts

Save for contracts in the ordinary course of business, the following contracts have been entered into by members of the Enlarged Group within the two years immediately preceding the date hereof and are or may be material:—

(a) Agreement dated 29th December, 1979 and made between Mr. M. A. C. Buckley (i) and the Company (ii) under which the Company agreed to acquire the whole of the issued share capital of Safecastle Limited for a consideration of £344,720 of which £104,720 was paid in cash and the balance by the issue of 2,400,000 Ordinary Shares of 10p each which were placed by the Company's Stockbrokers.

(b) Agreement dated 29th December, 1978 between Mr. M. A. C. Buckley (i) Dr. H. Fletcher, Mr. M. F. Briggs, Mr. R. J. Knight and Mr. P. S. Jackson (the then Directors of the Company) (ii) the Company (iii) and Rowe Rudd & Co. Limited (iv) under which Rowe Rudd & Co. Limited agreed to place the 2,400,000 Ordinary Shares of 10p each in the Company for a fee of £2,250.

(c) Agreement dated 6th September, 1978 between the Company (i) and Keydon Estates Limited (ii) under which the Company agreed to sell 207/217 Pentonville Road, N1 and 9 Lorenzo Street, N1 for a consideration of £80,000 in cash together with a further agreement of the same date and made between the Company (i) Keydon Estates Limited (ii) and Ebury Moreton Limited (iii) providing for the payment to the Company of additional consideration not exceeding £42,000 on the grant of planning permission and a 10 per cent. participation in the net profit (if any) arising on the sale of the properties following completion of the development.

(d) Agreement dated 10th April, 1980 between Area Managements (London) Limited (i) and the Company (ii) and a replacement Agreement dated 23rd May, 1980 between Area Managements (London) Limited (i) Barker (ii) and the Company (iii) (being the Queens Gate Agreement).

(e) Agreement dated 10th April, 1980 between Mr. C. T. Bray and Henry Street Investments Limited (i) Mr. C. T. Bray and Mr. P. A. F. Greaves (ii) Strongmead Limited (iii) and the Company (iv) (being the Signgate Agreement).

(f) Agreement dated 30th May, 1980 between Mr. C. T. Bray and Henry Street Investments Limited (i) Area Managements (London) Limited (ii) the Company (iii) the Directors of the Company (iv) and Singer & Friedlander Limited (v) whereby Singer & Friedlander Limited agreed conditionally to purchase an aggregate of 4,166,668 Ordinary Shares of 10p each of the Company from the parties of the first and second part (being the placing agreement referred to in paragraph 3 above).

(g) Agreement dated 20th February, 1980 between Barker (i) and Chera Holdings Limited (ii) whereunder Barker agreed to enter into a sale of the land and freehold factory built thereon and situate in Countess Road, Northampton, for £170,000 in cash (being the Countess Road Agreement).

(h) Lease dated 13th June, 1980 between Barker (i) and the Company (ii) entered into pursuant to the *Countess Road Agreement.*

(i) The Service and Management agreements referred to in paragraph 8 above.

10. Terms of the Signgate Agreement

Under the Signgate Agreement the Company has agreed to acquire the whole of the issued and allotted share capital of Signgate for £800,000 subject to a repayment or reduction of £1 for each £1 by which the audited net profits before tax of Signgate and its subsidiaries for the year ending 31st December, 1980 are less than £325,000.

The consideration is payable as to £700,000 on completion and as to the balance, which is payable in cash, on the later of the first anniversary of completion or the production of the audited accounts of Signgate for the year ending 31st December, 1980 together with interest thereon (calculated from the first anniversary of completion) on *such £100,000 at 3 per cent. over the base rate of National Westminster Bank Limited if payment is due in full and is* made later than the first anniversary of completion. Payment of such balance is secured by an equitable charge over the shares of Signgate being acquired.

Of the £700,000 payable on completion £300,000 is to be satisfied by the issue to each of the two vendors of 882,353 Ordinary Shares of 10p each of the Company and the remaining £400,000 is to be satisfied by the allotment to the vendors of an aggregate 2,222,223 Ordinary Shares of 10p each in the Company which will then be acquired from them by Singer & Friedlander Limited at 18p per share (free of commission or other expenses) and will be placed.

All the 3,986,929 Ordinary Shares of 10p each in the capital of the Company to be issued by way of part consideration for the acquisition will, as from their date of issue, rank *pari passu* in all respects with the remaining Ordinary Shares then in issue.

Mr. C. T. Bray, one of the vendors of Signgate, has agreed, subject to the exercise of the option arrangements referred to under paragraph 7 above to retain the 882,353 Ordinary *Shares* in the Company *issued* to him for a period of 12 months from completion and thereafter only to dispose of all or any of them after having made the same available to the Stockbrokers for sale at market price.

The Signgate Agreement contains an indemnity against taxation and normal warranties by the vendors in relation to the accounts, business and affairs of Signgate. Strongmead Limited has guaranteed the obligations of Henry Street Investments Limited under the Signgate Agreement.

11. Terms of the Queens Gate Agreement

Under the Queens Gate Agreement, Barker has agreed to acquire the leasehold and freehold reversions of the two properties situate at 39/40 Queens Gate and 17 Elvaston Mews, London SW7, for £1,000,000.

£650,000 of the purchase price is to be left outstanding for two years from completion at an interest rate of 20 per cent. per annum reducing to 18 per cent. in the event of punctual payment, secured by a first legal charge on Queens Gate and guaranteed by the Company. The remaining £350,000, which is payable on completion, is to be satisfied by the allotment to the vendor of 1,944,445 Ordinary Shares of 10p each of the Company which will then be acquired from it by Singer & Friedlander Limited at 18p per share (free of commission or other expenses) and will be placed.

In the event of a sale of any of the units in Queens Gate within two years of completion the principal amount of the mortgage is to be reduced by an amount equivalent to the higher of £16,000 or 70 per cent. of the net proceeds received from the sale.

The 1,944,445 Ordinary Shares of 10p each in the capital of the Company to be issued by way of part consideration for the acquisition, will, as from their date of issue, rank *pari passu* in all respects with the remaining Ordinary Shares then in issue.

Interest on £950,000 of the purchase price is payable at the rate of 20% per annum for the period from 22nd May, 1980 until completion, save that the agreement shall lapse and Barker will forfeit its deposit of £50,000 if it is not completed before 10th July, 1980.

12. Working Capital

The Directors are satisfied that, after taking into account existing cash resources and bank facilities, the Enlarged Group has sufficient working capital for its present requirements.

13. General

(a) *Claims aggregating £31,000 have been made against certain members of the* Group but no provision for these amounts has been made in the accounts of the Group for the year ended 31st December, 1979 as, based on advice received, the Directors are of the opinion that no liability will ensue. Save as aforesaid, and so far as the Directors are aware, no member of the Enlarged Group is engaged in any litigation or has any claim of material importance pending or threatened against it.

(b) Stoy Hayward & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion of their report, and the references thereto, in the form and context in which they are included.

(c) Keith Lumley A.R.I.C.S. and Aylesford and Company have given and have not withdrawn their written consents to the issue of this document with the inclusion of their respective valuations, and the references thereto, in the form and context in which they appear.

(d) A Certificate of Exemption under S.39 of the Companies Act 1948 has been granted by the Council of The Stock Exchange whereby the Company is exempted from compliance with the requirements of the Fourth Schedule of the said Act.

(e) The documents attached to the copies of this document and delivered to the Registrar of Companies for registration were:—

(i) the written consents referred to in sub-paragraphs (b) and (c) above;
(ii) the statement of adjustments of Stoy Hayward & Co. setting out the adjustments made in arriving at the figures contained in their report and giving their reasons therefor;
(iii) copies of the material contracts referred to in paragraph 8 above; and
(iv) copies of the placing letter and form of acceptance.

(f) Save as disclosed herein, there have been no material changes in the financial and trading position of the Enlarged Group, other than in the ordinary course of business, since 31st December, 1979, the date to which the latest published audited consolidated accounts of the Group and of Signgate and its subsidiaries were made up.

14. Documents Available for Inspection

Copies of the following documents are available for inspection at the offices of Clifford-Turner, Blackfriars House, 19 New Bridge Street, London EC4V 6BY during normal business hours on any weekday (Saturdays and Bank Holidays excepted) for a period of 14 days following the date of this document:—

(i) the Memorandum and Articles of Association of the Company, Barker and Signgate;
(ii) *the audited consolidated accounts of the Company for its two financial years ended* 31st December, 1979;
(iii) the audited consolidated accounts of Signgate for the year to 31st March, 1979 and the nine months to 31st December, 1979;
(iv) the material contracts referred to in paragraph 8 above;
(v) the report of Stoy Hayward & Co. together with the written statement of adjustments made by them in arriving at the figures shown in their Report and their written consent referred to above;
(vi) the Valuations of Keith Lumley A.R.I.C.S. and Aylesford and Company together with their written consents referred to above; and
(vii) the Trust Deed dated 8th May, 1978 creating the Loan Stock, the letter dated 2nd October, 1978 from The Law Debenture Corporation, Limited to the Company and the original guaranteeing subsidiaries, the First Supplemental Trust Deed dated 15th May, 1978 and the proposed Second Supplemental Trust *Deed (which is subject to modification).*

28th June, 1980.

Building and Civil Engineering

£24m sugar factory for Sri Lanka

TATE & LYLE Technical Services (TLTS) has signed a contract worth approximately £700,000 with the Sri Lanka Suga Corporation (SLSC) for consultancy services relating to the Svenagala Project.

The project involves the construction of a new 1,200 tons cane per day sugar factory and distillery and its subsequent expansion to 2,000 tons cane per day, together with the development of the associated agricultural and infrastructural works.

The overall project, including the consultancy services, is expected to cost approximately £24m and the major part of the foreign exchange costs are to be met by a loan from the Asian Development Bank.

TLTS will be responsible for the preparation of the outline designs, equipmeot specifications and tender documentation for the sugar factory. It will subsequently be involved in assisting the Sri Lanka Sugar Corporation with the adjndication of tenders, contract negotiations and supervision of factory construction. TLTS will also be supplying civil/irrigation, cane agricultural and agricultural engineering inputs to assist the corporation.

Tradition in £40m desert centre

SAUDI ARABIA'S Ministry of Agriculture and Water has announced that a construction contract worth approximatety £40m has heeo awarded to the Ssangyong Coostruction Company of Korea for the construction of Wasia village, 60 miles east of Riyadh, capital of Saudi Arabia.

The designs for this completely new, self-sufficient human settlement on an isolated desert site have been prepared by Stephen Yakeley, architect to Sir M. MacDonald and Partners, of Cambridge, the consulting engineers for the project.

The village, for almost 1,000 people will house operational staff and their families for a new water treatment plant. The village comprises 268 houses, 185 flats, two schools, 14 shops, a mosque, clinic, recreation centre and other communal facilities. The village is part of the very large Riyadh Additional Water Supply Project, other phases of which are currently under construction.

The design of the village differs from western design projects in the Islamic world in that it fnllows the form of traditional Arab villages with buildings designed to reduce heat gain and to give protection from the wind and sun. Narrow, shaded streets weave through tightly-knit hnusing leading tn open spaces io the village centre. Vehicular and pedestrian circulation is strictly segregated.

The scope of the work carried ont was comprehensive in that the consultants were given responsibility for all of the design work from originating the detailed hrief through establishing a development plan, preparing architectural and engineering contract documents, preparing interior designs and selecting furniture and equipment and formulating a settlement and operational policy.

Trocadero project awarded to Bovis

WITH AN estimated cost of £16m a novel retail and entertainment complex, first of its kind in the UK, is to be huilt hy Bovis on the Trocadero site in London for Electricity Supply Nominees, the pension fund of the electricity supply industry.

While details of the entertainment content bave yet to he finalised, Bovis bas already started demolition work on the two-acre site which is hounded by Coventry Street, Shaftesbury Avenue, Rupert Street and Great Windmill Street. The contract will be a mixture of rebuild and refurbishment work with the majority of facades retained.

The complex will stand six-storeys high and two further floors below ground level. The lower ground floor houses the Loodon Experience—built by Bovis in 1977—and will include restaurants and shopping, together with an underground pedestrian link via the London Pavilion to the Piccadilly underground station concourse. The snb-basement level will bouse kitchen areas and plant rooms.

The ground floor will provide shopping on a series of malls and arcades linking the streets which frame the site. The upper floors will have a mixture of entertainments, restaurants and shopping, with the focal point of the complex being a central atrium forming a covered public area at lower ground floor level with access by way of glass-sided lifts and escalators to the upper floors.

Construction of the complex will, in the main, comprise insitu reinforced roocrete frame from sub-structure to ground floor level, above which the building will be steel framed with precast concrete infill plank floors and insitu concrete cast beams, columns, staircases and lift cores. The structure will sit on reinforced concrete foundations on approximately 200 bored piles, each 600 mm to 750 mm in diameter, approximately 25 metres long and designed to a load of 1,500 kn.

Architects are Fitzroy Robinson and Partners: Structural Engineers Ove Arup and Partners and qnantity surveyors Gardiner and Theobald.

Cartwright companies get work worth £7.8m

RECENT new contracts totalling over £7.6m bave been awarded to divisions of Joseph Cartwright.

In the north, J. Cartwright Construction has a £1.5m job from London and Manchester Properties Ltd to carry out refurbishment works to existing offices and warehouses and to construct new warehouses on the Gelderd Trading Estate in Leeds.

Under two contracts for the Bradford Metropolitan District Council valued at £2.5m and £250,000 the company is to construct 137 dwellings at Manningham and refurbish 21 dwelliogs at Wilsden, both in Bradford. Seven small industrial units costing £250,000 are to be constructed at Todmorden for the Calderdale Metropolitan Borough Council and the conversion of seven Victorian houses into nine homes is to he carried out under a £100,000 contract with the Leeds Federated Housing Association.

In the South, Hayward & Wooster Ltd is to construct 94 houses in Oakley, near Basingstoke for the Downlaod Housing Society (£1.146m) and a flats complex for the elderly in Cardiff for the Corland Housing Associatioo (£610,000). The small works department has started work on the historical house at Corsbam Court, Corsham, Wiltshire, where under the contract for £192,000 for Avon County they are to carry ont general refurbishment works and re-roofing. Work is also commeocing on a new building and alterations at the Clevedon Traosmitter Station for the BBC (£98,000).

Civil Engineerlog works soon to be started by Davies, Middleton and Davies In Wales include a link road and improvements to the A470 for Powys County Council (£567,000) and industrial access road at Blaengwynfi for West Glamorgan County Council (£238,000). Work recently began on a £230,000 contract for British Railways which provides for the renovation of an existing warehouse and its conversion to an on-track maintenance shed.

Laing starts on a big Ferranti job

A THREE-STOREY main office block for the new Ferraoti Compuler Systems complex at Cwmhran, Gwent, is heing huilt by the South West Region of John Laing Construction under a contract worth about £3.5m. The block forms the first phase of the £15m redevelopment nf the former brickworks and quarry site at Ty-Coch, Cwmhran, hy Ferranti acting in association with the Cwmbran Development Corporation.

To be built around a central landscaped courtyard, the hlock will be of reinforced concrete frame with troughed coocrete suspeoded floor and roof slabs, and will provide a gross floor area of ahout 83,000 sq ft.

Cladding will be of facing brick and hlockwork inner leaf and full air conditioning will be provided throughout the hlock, and heating will be provided hy a heat recovery Versatemp system.

Work has just started and is due for completion hy October 1981.

Over in Belfast beer hottling and storage facilities at Bass Ireland's Ulster Brewery are to be extended and improved under a £1.3m contract.

Work has just started and over the next 17 months will involve the coostruction of a new warehouse, bottling ball and crate sorting huilding, with a two-storey processing hlock including offices, plus conversion of an existing bottling hall to form warehousing. This will provide more than 25,000 sq ft of cxtra spacc for the hrewery.

Two major irrigation projects

ANNOUNCED this morning at the Royal Sbow, Stoneleigh, by Taylor Woodrow are two large irrigation contracts in Guyana and Ghana, each amounting to around £5m.

In Guyana, on the Iturbisi River, Esequibo District, the company will construct a big earth-filled dam as the centre of a 15 square mile intensive rice-growing area. This will cost Guy $26.5m (£5m) and is being constructed for the Ministry of Agriculture, Hydraulics Division.

Sir William Halcrow and Partners are the consultants.

For Ghana, a similar dam is to be built across the Bontanga River in the north of the country. This river is dry for nine months of the year and the dam is intended to store rainy season flows to provide year-round irrigation.

This project is estimated to cost £4.9m.

Norwest Holst takes over £4m

INCLUDED IN contracts totalling £4.23m awarded to Norwest Holst are four contracts together worth £3.43m which have been won hy the company's Scottish division.

A. G. Barr and Co., of Glasgow has placed a £1.28m job for the erection of a factory and ancillary offices at Wishaw, Lanarkshire; to be constructed in structural steel with facing brick panels and aluminium flashing.

The Strathclyde Regional Council has awarded an £896,000 contract for refacing part of the upstream face of the Daer reservoir (also in Lanarkshire) with over 3,000 precast concrete slabs to a depth of about 4½ metres below the top water level.

Littlewoods Organisation bas awarded a £1.4m contract fnr fittiog out a new single storey extension at the rear nf its High Street store in Kirkaldy, and the Scottisb Division of British Steel Corporation has placed a £117,883 contract for the construction of a 10 metre bigh, rectangular 1.6 x 14 metre reinforced coocrete, forced draught water cooling tower at Ravenscraig.

In the south, the company bas been awarded a £¼m contract by Rogby Portland Cement Company for the construction of a cement storage and distribution depot at Southampton, and Norwest Holst mechanical installation has received a £169,375 joh from Davy McKee (Minerals aod Metals) for making the final changeover package from cyclone system to a washbox method at Bertinck Colliery.

Last contract just announced is worth £300,000 and is fnr tbe detailed design and construction of a reinforced concrete covered reservoir with associated earthworks and pipework at Kewstoke Road, Worle, Weston-super-Mare to be carried out hy member company Nott Brodie.

Italian aid to map Mozambique

AQUATER, a company of ENI Group, has signed an agreement with the National Geology Department of the Popular Republic of Mozambique covering geological mapping and detailed geochemical investigation studies for an area of 48,000 sq km.

The contract will cover, in detail, geological mapping drawn to scale 1:50,000 with the geochemical analysis of flood sedimentation over an area of 19,000 aq km, as well as geochemical surveys in documentation drawn to scale 1:250,000 over an additional area of 29,000 sq km in the Zamhezia and Nampula regions.

Work is expected to start at once and to have a duration of three years.

Estimated value of the contract is about $15m, and it is expected that there will he a 15 per cent contribution within the framework of the technical co-operation agreements between the Governments of Italy and Mozambique.

Aquater has been active in Mozambique for years and it is now completing a hydrological project in the Inambane region.

McAlpine in £5m deals

MOST RECENT contracts, valued together at over £5m, awarded to Sir Robert McAlpine and Sons are in London and Nnrthumberland.

In Wood Green, London, fur Ringmore Prnperties, a £1.9m office block project starts soon with completion for September, 1981. This L-shaped 21 metres high building comprises a reinforced concrete frame, brick clad, founded nn piles and pile caps.

At Prudhoe, Northumberland, a Kimberly-Clark factory is to be extended under the terms of a contract worth £3,183,054.

The extension is to the existing machine house and comprises a hasement, operating floor and mezzanine floor. The basement will have a 2 metres thick floor slab, concrete walls and structural steel with metal cladding above, all preceded by extensive dewatering and sheet piling on the 14,000 square metres site. Completition is for October, 1981.

French Kier at Heathrow

FRENCH Kier Construction, a member of the French Kier Group, has been awarded a contract *worth £8m by British Airways.*

This is for an extension to the east pen of technical block A at Heathrow Airport to accommodate "747" aircraft, and includes alterations and adaptions to the existing maintenance hangar and the construction of 5,607 square matres of new hangar floor area and plant rooms.

The foundations and ground floor slab are concrete, and the structure is a 103 metre clear span steel frame, 25 metres high. It will be clad and roofed with metal decking, together with extensive mechanical, electronic and external services and works.

The contract is due for completion in July 1981.

Four tasks in Midlands

THREE PROJECTS awarded to F.C. Construction Company, and F.C. Precast Concrete total over £1.2m.

Severn Water Authority bas awarded a £970,000 variable price contract for the construction of nine hacteria beds and associated pipework at Walsall Road water reclamation works, Willenhall.

A further £120,000 contract from the same source is for a 1050mm diameter outfall sewer and reinforced concrete chambers at the aewage works in Wellington, Shropshire.

Josiah Wedgewnod and Sons bas placed a £200,000 job for extensions to the Barlastoo, Stoke on Trent, factory where work has already started.

Bowmer and Kirkland bas placed a £120,000 contract with F.C. Precast for the design, supply and erection of a Uniframe structural building at Mansfield, Derby, for developers Viking Commercial Estates.

Factories by Douglas

CONTRACTS TOTALLING £7.4m, all for work in the industrial sector, have just been announced by R. M. Douglas Construction.

Work has started on a titanium granule plant at Shotwick, for Deesside Titanium whose managing contractor is Courtaulds Engineering. Value is about £4m.

Nurdin and Peacock have placed a £1m contract fnr a warehouse to be built at Llanishen and another project in Wales, also worth £1m is for forge and offices at Blaenavon for the Welsh Development Agency.

Factory extensions at Bromborough for English Industrial Estates ia worth another £440,000 and a further award for £430,000 is for civil engineering works at High Wycombe for G. D. Searle and Company.

£4m store and pool by Costain

TESCO is to have a superstore at Bursledon Towers, Hamble Lane, Southampton, to be built by Costain Construction.

The contract, with the Bill Jive organisation, comprises the demolition and clearance of the existing site. Construction will then start.

Work has begun on site and is dne for completion in early 1981.

Under a further award worth £1.3m the group will he involved in the constructinn of a unique swimming pool complex to use an ozone water purification system.

The complex (phase nne of the Wellington Sports Centre, Tan Bank, Wellington, Shropshire) will be the first pool of its type to be built in England and instead of the traditional chlorine system, ozone water purification, which allows the re-circulation of chlorine-free air within the pool, will be applied. Heath generated from the pumping and filtration plant can also be used to heat the pool, thus cutting energy costs.

Large block in Crawley

HUNTING GATE, in conjunction with Commercial Union Properties, is to develop a prestige office block at 117/119 High Street, Crawley, West Sussex. The completed investment, worth approximately £2.25m, will be held by one of the Commercial Union's long-term funds.

The site is in the established office area within one hundred yards of the main shopping area.

The office block will have a net area of some 19,000 sq ft on three floors. The specification reflects the location and the building will include, in addition to the normal facilities, donble glazing and carpeting throughout.

In a partnership with the London Borough of Hammersmith and Fulham, Hunting Gate will develop a 3.6 acre site in Hythe Road, London. Detailed planning consent has been granted for 15 units providing a total of 78,200 sq ft of industrial warehouse accommodation ranging in size from 2,750 to 15,630 sq ft.

Construction work has started with possession being offered during the early part of 1981.

The completed development, which is to be known as the Gateway Trading Estate, is to be purchased by Hambro Life Assurance Company advised by Berkeley Hambro Property Company.

IN BRIEF

- Miller Buckley Civil Engineering has been awarded a contract worth over £500,000 by Ogwr Borough Council, Bridgend, Mid-Glamorgan, for the construction of a 400 metre long 2.400 metre diameter pipeline through the town of Bridgend.

Early retirement—where will the money come from?

BY ERIC SHORT

[illegible]EES WHO retire, or [illegible] are retired, before reaching State pension age have [illegible]. They receive a pension from their company's pension scheme, but they have to wait until they reach the statutory age—65 for men, 60 for women—before they start receiving their basic State pension. The problem is how to bridge that gap.

Up to now, a partial solntion has been to register as unemployed and draw unemployment benefit, treating such payments as a substitute for the State pension.

At first sight, it may seem surprising that someone who is retired and in receipt of a company pension can register as unemployed. But the current Social Security system classifies as unemployed someone who is below State Pension Age and is not working. The fact that the claimant is receiving a company pension has not so far affected the unemployment pay, but under new Government proposals it may do so in future.

The actual conditions under which a person can claim and receive unemployment pay have always been somewhat hazy. A person registers as being unemployed at the local employment office and goes on the unemployment register. There is no benefit for the first six weeks of unemployment, but thereafter entitlement to benefit depends on the person remaining on the unemployment register and going through the motions of seeking work. The decision rests with the local officials of the Department of Employment, acting on behalf of the Department of Health and Social Security.

The "company pensioner" would be offered jobs commensurate with the type of work he was doing before he retired. Thus a retired bank manager would be offered clerical jobs involving some kind of responsibility. Payment of benefit could be withheld if the claimant laid down unreasonable conditions or restrictions on the types of jobs offered or the working hours involved. He is not expected to take any job that comes along, but the authorities argue that the longer he is on the register, the lower should be his expectations of the sort of job he is willing to undertake.

The current basic unemployment benefit levels are £18.50 a week for a single person and £29.95 for a married couple. These rates are being increased to £20.65 and £33.40 in November. This basic benefit is paid for a year. Though the earnings-related supplement is being phased out, at present a person whose earnings were at least £6,000 prior to retirement would be eligible for the earnings related supplement paid for six months only, up to a maximum of £17.67 a week.

Having used his year's benefit, the claimant must work for at least 13 weeks in order to become eligible for further benefit.

Now this ad hoc situation is to change. As part of its plans to cut public expenditure, the Government intends to "clawback" unemployment benefit from claimants who are entitled to a company pension above a certain level, even if they are not actually in receipt of it.

This proposal is contained in Clause 5 of the Social Security (No. 2) Bill which has reached the committee stage in the House of Lords. It states that anyone entitled to a company pension above £35 per week would have the unemployment benefit reduced on a pound-for-pound basis.

Volte face

Thus a person with pension rights of £45 a week would have his unemployment benefit reduced by £10 a week. The intention is to bring this proposal into force from next April. A married man with a company pension of at least £68.40 a week would not receive any unemployment benefit at all.

Not surprisingly, this move by the Government is bitterly opposed by the Labour opposition, the trade union movement, and many sections of the pensions industry. It even represents a complete *volte face* for Patrick Jenkin, the Social Services Secretary, who has opposed such a move on two previous occasions.

The standard argument against the proposal is that the pensioner has paid his National Insurance Contributions while working, and is thus entitled to unemployent benefit when not working. It is not a means-tested benefit. The trade unions hold this principle very dear, the TUC arguing for its retention even when claimants have a substantial occupational pension.

But there is an element of double thinking in this argument. A person who is working cannot, in theory, register as unemployed and draw unemployment pay. What is the difference between a person receiving income from his present job and someone receiving income in the form of a pension from his previous job? The trade unions are always referring to pensions as deferred pay.

By all means, a retired person who is fit and keen to work should use the employment office in seeking a job. Indeed more could be done in this direction. But if his income is adequate, why should it be supplemented by unemployment benefit, which presumably is intended to provide income while waiting for work.

If one looks at the Government's plan dispassionately, then there is much to commend the principle. A person retiring on a pension of two thirds of final salary does not necessarily need the unemployment benefit and can be said to be guilty of abusing the system.

The Government's proposals can be criticised on two counts. First the clawback limit is too low — a pension of £68 a week is well below National Average earnings. But more important, it is tinkering with the social security system when it should be re-considering the whole set-up.

If there was a comprehensive flexible retirement age instead of the present rigid system, then these problems would not arise. The previous Government had a splendid opportunity to introduce flexible retirement at the start of the new State pension scheme, but passed it up.

What can be done in practice to bridge the age gap? The answer is very little. Many pension schemes which begin to operate below State pension age allow the member the option of deferring drawing his pension until a later date. This gives the member the opportunity of getting other work and not paying too much tax. But the Government's proposals clearly provide for "clawback" even where the pension is postponed.

Under Inland Revenue rules, companies can pay a higher pension up to State pension age, providing they then reduce the company pension. The rule that the overall occupational pension cannot exceed two-thirds of final salary is applied rigidly. With this new situation, the Revenue should be prepared to reconsider its stance and the unions and the pensions industry should be seeking amendments, so that up to the State pension age, the company could pay a supplement equal to the State pension.

How Canadian Pacific made good by going off the rails

John Makinson on the conglomerate that emerged from a railroad

CANADIAN PACIFIC ENTERPRISES is coming out of the woodwork. After nearly two decades of relative obscurity, this sprawling company which has grown fast on the back of Canada's abundant natural resources is actively courting the attention of analysts and investors.

The company has been dressing up its image at a time when the thrust of expansion is turning away both from Canada itself, and from Canada's traditional role as a hewer of wood and drawer of water. CPE is grafting an unusually decentralised management approach on to an increasingly diverse and complex structure.

CPE was incorporated in 1962 as a wholly-owned subsidiary of Canadian Pacific, the legendary railroad company. Its purpose, according to CP, "was to assist in and further the process of diversification by encouraging the development of specialised managements."

The three main struts of CPE's development were rapidly transferred from the parent company: a major holding in Canadian Pacific Oil and Gas (since renamed PanCanadian Petroleum): a majority interest in Cominco, the mines and minerals group: and full ownership of the Pacific Logging forest products company. CPE also took on board CP's hotel and real estate interests.

Since the early 1960s, acquisitions have produced both additions to the original divisions and a degree of diversification, notably into iron and steel. Yet the original operating areas are still the mainstay of the group.

Last year, CPE had assets of C$7bn (£2.5bn) and earnings of C$420m (£151m). Oil and gas provided 34.4 per cent of the income and 21.9 per cent of the fixed assets. The comparable figures for mines and minerals were 28.6 and 23.2 per cent, and for forest products 11.3 per cent and 11.7 per cent.

CPE is still overshadowed by its parent, yet is now bigger than the rest of CP put together. It is a separately managed and independently quoted company with no interests in transportation—unlike CP, which is exclusively a transportation company.

It is partly to make this separate identity clear that CPE has recently been stepping into the limelight. In March of this year it placed outside North America 750,000 shares, valued at around £11.7m, and obtained listings on the London and Amsterdam stock exchanges.

More recently, it changed its name. The erstwhile Canadian Pacific Investments was reborn as Canadian Pacific Enterprises. The principal purpose of the first move—aside from raising cash—was to emphasise the increasing international aspirations of CPE, while the name change was intended to suggest that CPE is an active management company, rather than an investment holding group.

For an active company of such size, CPE runs on a remarkably modest staff. The head office in Montreal houses only 25 people, supported by a treasury department of about 50 in Toronto. The Montreal office accommodates six top managers, an acquisition group, a team of economists and little else.

This skeletal team holds sway over a labyrinthine network of companies. Cominco alone has a direct or indirect holding of at least 40 per cent in 25 other companies.

It appears paradoxical that such a small group should claim to manage such a large and diverse operation. There is no doubt that it has the muscle to do so since in almost all cases CPE has established a very sizeable equity position in its operating units. Earlier this year, CPE's attempt to buy a majority holding in MacMillan Bloedel, Canada's largest forest products company, was thwarted by political opposition. CPE promptly sold its existing 13.4 per cent stake in MacMillan for around £35m. As Ian Sinclair, CPE's robust chairman, puts it:

Ian Sinclair: "I'm not interested in owning 13 per cent of anything"

"I'm not interested in owning 13 per cent of anything."

Having established control, CPE leaves operational management firmly in the hands of its subsidiary boards, assuming direct responsibility only for long-term strategy and financial matters. When something goes wrong, CPE does not step in directly but can use its influence on the board of the subsidiary to force changes. This was recently the case with CP Hotels where Sinclair helped to orchestrate a management reshuffle.

Financial control is essential to the CPE strategy. The parent carefully monitors the debt and equity position of all companies under its umbrella, taking action whenever financial ratios cause concern. Just as CPE's creditworthiness has been enhanced by its connection with CP, so the operating companies can use the powerful asset backing of CPE to support their borrowings.

CPE companies regularly have recourse to rights issues in order to raise funds. Great Lakes Forest Products raised $42m (£15.8m) through a one-for-four issue last month. CPE exercised all its rights and also took up all the shares not subscribed for by other shareholders.

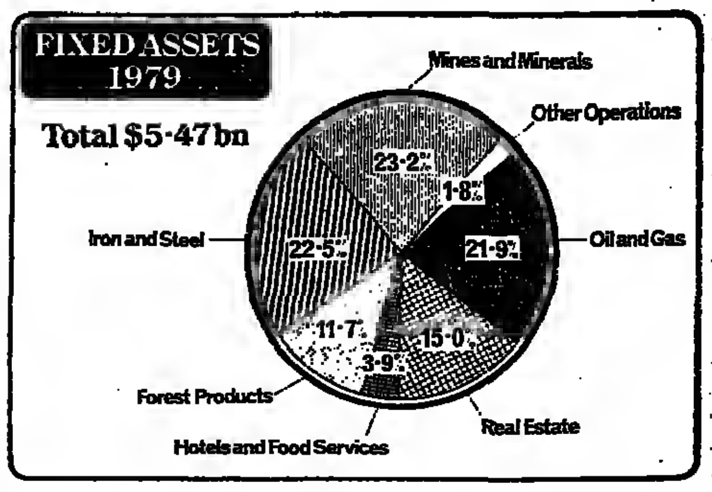
The principle of taking effective control without overall ownership now applies to CP's hold on CPE. The parent owns 75.8 per cent of CPE and, with Sinclair currently chairman of both companies, there is little doubt who runs both shows.

Sinclair is determined, however, to apply the same principle of operational independence to CPE as CPE applies to its subsidiaries. Within a year, he will have relinquished the chairmanship and chief executive role at CP to devote all his energies to CPE. Within two years, all main-line management connections between the two will have been severed.

Autocratic

Sinclair is unrepentant about the policy of tapping powerless minority shareholders for funds. "When people buy into our companies, they know they are buying into a controlled situation," he says. "We are careful to maintain a market in these companies so they can always get in and out."

Sinclair himself is the fulcrum around which CPE turns. Few of the company's employees would deny that he has been the moving spirit behind CPE's growth. Trained as a barrister, he joined CP in 1942 to negotiate railroad freight rates with the Canadian Government. He became president and chief executive of the former Canadian Pacific Railway Company in 1969, taking over the chairmanship three years later.



At 66, Sinclair combines the physical appearance of a dock-hand with the diplomatic tongue of a lawyer. He is at pains to emphasise his faith in friendly takeovers and looks aggrieved but resigned when discussing the British Columbia Government's opposition to his aborted MacMillan takeover.

Privately, however, Sinclair is known as a tough and autocratic manager, a wily negotiator and no friend of interfering governments. He is widely considered to have out-manoeuvred one of West Germany's most able businessmen, Herr Egon Overbeck, in his 1973 purchase of a 25 per cent stake in Algoma Steel from Mannesmann AG.

The development of CPE mirrors the increasing role played by resources in Canada's economy. While this emphasis has proved an impetus for growth, the volatile performance of the Toronto stock market testifies to the uncertain quality of resource earnings in Canada. Sinclair is planning to diversify the business both away from Canada and away from resources.

At present CPE holds only 2 per cent of its fixed assets outside North America, compared with 15 per cent in the U.S. The decision to come to Europe for a listing before New York reflects in part Sinclair's personal impatience with the bureaucratic niceties of the Securities and Exchange Commission although he points out, reasonably enough, that American investors can trade easily through Toronto.

The London and Amsterdam listings also indicate, however, that Sinclair is planning to expand CPE's interests outside the North American continent. In all cases CPE will insist on political stability as a basic investment criterion.

For the moment, though, the U.S. is absorbing most of CPE's acquisitive attention. In March, it bought Norin, a diversified U.S. food company, and more purchases are being considered.

Within Canada, the group is examining acquisitions in two specific areas. The first is "agri-business," a broad sector encompassing agricultural products and equipment.

CPE has already entered the U.S. agriproducts business through Baker Commodities Inc. which recently acquired Corenco Corp of Massachusetts. Corenco, like Baker, is engaged in the rendering business—the recycling of animal waste by-products into fats and proteins. It also processes and packages fruit preserves, jams and jellies.

The other area is the financial sector where a strengthening of CPE's position within Canada would make industrial logic, since it would offer diversification away from resources into an area which has shown very strong earnings growth over the past few years. CPE already owns an insurance company and a securities business, but Sinclair is now eyeing mortgage and consumer finance companies. Canada's banking regulations would inhibit an acquisition in the orthodox banking sector, but the field of financial services is wide open.

With the resource operations providing both cash and collateral, CPE is well placed to continue its acquisition strategy. When necessary, minority shareholders can be tapped for additional funds or a new category of shareholders can be created—as was the case with its recent listings outside North America. The result should be a conglomerate with a broader industrial and geographical base, managed with a high degree of flexibility.

...dest proposal ... unemployed

...MUEL BRITTAN

... of unemployed ... side with un- ... and desires has ... ways will be a ... reality. It was ... which first ... economics. ... survives the ... the unemploy- ... not quite mean ... suggests and ... disappearance of ... post-war methods of ... ourselves into ... employment. Whatever one ... think of the 1.3m adults ... unemployed at the ... of the 1978-79 boom, the ... current rise represents a genuine increase in the unused human resources.

A reduction in inflation may involve a transitional increase in unemployment — which is an argument for not inflating in the first place. The size of that increase is not however given in heaven but can be influenced by human action and policies. The purpose of this article is to suggest one simple proposal which could mitigate the absurdities of high unemployment, which would neither interfere with the counter-inflation programme, nor require a revolution in the organisation of the British labour market.

Novelty

The proposal is not original. In fact it is one that occurs spontaneously to many people. Any novelty is simply in suggesting that they are right, and establishment objections are wrong. The proposal is simply that instead of drawing the dole for remaining at home, unemployed people should have the option of doing useful work which would otherwise not be done. Examples include providing services for old people, removing environmental eyesores, providing extra amenities for hospitals and thousands of other possible improvements which will occur to readers.

People willing to do such jobs would receive the present dole and no more. So there would remain as much incentive as at present to take "proper jobs" when these become available: and the downward pressure on wage *inflation from depressed* labour markets would continue. There would be no pressure on, say former steel workers to do gardening in public parks. They would have the choice between amenity work and drawing the dole on present terms.

Whether people in amenity jobs were in the employment figures is an unimportant statistical detail. Their numbers should be *listed separately*, so that commentators could treat them as they like. Ideally there ought to be, as in the U.S., several unemployment definitions from, say, U1 to U9, as there are for money supply, to be used for different purposes.

Ideas for amenity jobs could come from Government departments, local authorities and voluntary organisations. Best of all they could be suggested by the unemployed themselves. Approved ideas *could* be *posted* up in Job Centres and other DHSS and Manpower Services Offices. Projects would have to be "approved" because otherwise organisations would be able to sack people and have them back at public expense. But although there will always be borderline cases, it is in practice possible to differentiate between new projects and jobs which would in any case have been done.

Public service unions might oppose the idea because it would reduce the pain of expenditure curbs and lessen pressures for their restoration. But they would not be able to block the idea in the present climate of public opinion if the Government departments concerned were prepared to push it through.

Ideals

It might be said that the unemployed can already do voluntary social service work if they wish. A formal scheme for amenity jobs would, however, clearly demonstrate that such activities are approved and encouraged, and not regarded as a disqualification for benefit. Moreover there are many unemployed who would be glad to respond to a lead, but would not themselves have taken the initiative.

But I must warn that this apparently simple idea will upset many interests and *run* counter to conventional thinking. It will not be implemented without enormous political pressure.

Tide of EEC law cannot be turned back

THE WEEK IN THE COURTS

BY JUSTINIAN

THE IMPACT of the Common Market on English law becomes more impelling every day. In February, 1979, the European *Court held that the Government* had not fulfilled its obligations under the Treaty because it had failed to adopt in good time the measures to be taken to implement a Regulation on the introduction of recording-equipment in road transport.

The British refusal to order the fitting of tachographs in heavy lorries because of implacable union opposition had had its impact in the courts of this *country* even *before the Luxembourg* Court's ruling forced the Government to change tack.

In August, 1978, Concorde Express Transport was prosecuted on three summonses before Feltham Magistrates Court under Section 98 (4), Transport Act, 1968, for failing to issue individual control-books to crew-members employed by the company to drive its lorries. The lorries had in fact been fitted with tachographs, but crew-members had not been issued with a log-book or individual control-books.

Did the employer, who had expected the imposition of the EEC law in this country, have a defence to the charges in an English magistrates' court?*

Section 97 of the Transport Act, 1968, deals with installation of recording-equipment in vehicles but has not been brought into operation. Section 98 deals with written records, which includes log-books; and by subsection (4) makes it an offence to contravene any requirement of the applicable Community rules as to books, records or documents.

The applicable Community rules are contained in a Council Regulation of 1969. The provision for installation and use of recording-equipment had been made in the 1968 Act only on an optional or voluntary basis, as regards both vehicles engaged in intra-Community transport and those engaged in national transport.

Claimed unsuccessfully

Given the national law only, the legislation had maintained in force the obligations relating to the keeping of an individual control-book, which had been abolished by the Community Regulation.

Before the European Court in early 1979 the British Govern*ment had* claimed unsuccessfully that this arrangement was sufficient to meet the objectives of promoting road-safety, of social progress for workers, and of the harmonisation of conditions of competition. The Court, however, rejected the idea that the member-States could achieve these objectives by installation and use of recording-equipment simply on a voluntary basis. Mechanisation was compulsory.

The summonses before the Feltham Justices were based on the English legislation and on an Article in the EEC Regulation which places an obligation on the crew of a vehicle to carry a control-book. The Justices convicted the firm, but on appeal to the Crown Court at Kingston upon Thames the conviction was quashed on a narrow point.

The Article relied on by the prosecutor appeared to place no obligation on the employer of the crew. The Court found it difficult to understand the basis on which the charges were laid against the firm.

A sub-clause in the Article in any event, makes it abundantly clear that there is no intention to create an obligation on an *employer, because it expressly* requires member States to take all necessary steps concerning issue and control of the books.

Whether or not those steps had been taken by the Executive in Whitehall by way of delegated legislation, the present charges were not laid under any such measures. Hence the prosecution failed.

The Court went on to consider further arguments on applicability of the EEC law. The recitals to the 1969 Regulation contemplates the replacement of control-books by mechanical recording equipment. A later Regulation deals with introduction of recording equipment in road transport; it provides for installation of recording equipment in certain classes of vehicles.

Each of the vehicles in the instant case fell within the class of vehicles requiring such equipment, and, moreover, such installation had become compulsory before August 1978.

Recording equipment

The EEC Regulations recognised that equipment could not be installed and brought into use overnight. January 1, 1978, was the appointed day which affected the vehicles in this case. Article 3 of the 1970 Regulations introduced a proviso to to the earlier Regulations imposing the obligation of crew-members to have an individual control-book.

The proviso said that that earlier Regulation should not apply to crew-members of vehicles using recording equipment conforming to the provisions contained in the later Regulation.

The firm argued that once the obligation to instal equipment on a particular vehicle became compulsory, the proviso excluded the crew of that vehicle from the earlier obligation, even if there was no equipment either in the vehicle or in use in it. The obligation was on the employer to fit it.

In short, the purpose behind the later Regulation was a progressive change over from a log-book system to a mechanical *recording-system*; accordingly the requirement for keeping a log-book ceased to be necessary for vehicles subject to the compulsory mechanical recording-system.

If there should be a failure to use that system properly, then it should be enforced directly under the relevant regulations and not by an indirect way by recourse to the log-book provisions.

Interestingly, the Crown Court judge, Judge Rubin, considered that the Court had considerably greater freedom in construing a Community Regulation than it would have had if it were construing an English statute: it was entitled to have regard to the purpose of the EEC Regulation as disclosed in the recitals to the Regulation.

How much the supporters of a liberal approach to statutory construction (including our legal correspondent, A. H. Hermann) will cheer at this influential effect on English judges of EEC attitude to interpreting the law.

The Crown Court, therefore, was able to say that, since the vehicles had been fitted with and were using an approved tachograph, that was a sufficient answer to a prosecution for failure of the employer to issue the crew-members with the national control-books.

Dragged into conformity

Thus English law was dragged into conformity with EEC law even before the national legislation had been introduced to comply with the ruling of the European Court.

It is a classic instance of the Rome Treaty acting like an incoming tide, flowing into the estuaries and up the rivers of this island. More and more English lawyers are becoming aware that there is no turning back of the tide, and that short of a renunciation of the Treaty (unthinkable except by a resort to the Vienna Convention on Treaties) they must learn to accommodate themselves to the refreshing waters of a new system of law and to a less restrictive role played by the courts over the legislation of the men in Brussels.

**Concorde Express Transport v. Traffic Examiner Metropolitan Area [1980] 2 CMLR 221.*

An outstanding brood mare

RACING

BY DOMINIC WIGAN

As Tyrnavos swept toward victory in the Irish Sweeps Derby to give England a third successive victory in the race, a good many English breeders must have been left wondering whether Stilvi is to prove herself the outstanding brood mare of this century.

She is already—at a comparatively young age—one of the most successful mares in the history of thoroughbred breeding.

From a different stallion in each of her *first four* years at stud, the Derring-Do mare was responsible for Tachypous, Taxiarchos, Tromos, and Tyrnavos. Tachypous ran second to Nebbiolo in the 1977 2,000 Guineas; Taxiarchos won a number of good races and was only just short of classic ability; and Tromos and Tyrnavos have done even better.

Stilvi has a two-year-old filly by Great Nephew to represent her, and a yearling by Reform, and as my colleague, John Oaksey, reflected at Newcastle, "They must be worth their weight in diamonds." This spring, Stilvi, whose tremendous pace earned her a two-year-old Timeform rating of 126, visited Mill Reef.

Two men who must have watched Saturday's race with mixed feelings are jockey Edward Hide and breeder John Coggan.

By an agreement between Bill Watts and Bruce Hobbs at the start of the season, the North's most popular jockey was released from any commitments for Watts on Derby day, so that Hide would be free to ride Tyrnavos at Epsom. No such arrangement was made concerning the Irish race, and Saturday found Hide at Newcastle, watching the race at the Curragh on the weighing-room television.

John Coggan, who sells yearlings annually at Newmarket, but who also has had a number of smart fillies in training with Fulke Johnson Houghton, sold Stilvi as a yearling.

Tyrnavos will next run in the King George VI and Queen Elizabeth Diamond Stakes.

WINDSOR

6.45—Brentex**
8.05—Beaulah Land***
8.35—Fairmile Lad
9.05—Glasgow Central*

TV/Radio

† Indicates programme in black and white.

BBC 1

1.30 pm Heads and Tails. 1.45 News. 1.55 Wimbledon (Ladies' Singles Quarter-finals). 4.18 Regional News for England (except London). 4.20 Play School (as BBC 2 11.00 am). 4.45 The Space Sentinels. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Wimbledon highlights.
7.20 The Dukes of Hazzard.
8.10 Panorama: The Venice Economic Summit.
9.00 News.
9.25 The Monday Film: Katie: "Portrait of a Centrefold."
11.00 The Editors.
11.40 News Headlines.
11.42 Bellamy's Europe.
12.12 am Weather / Regional News.

All regions as BBC 1 except as follows:

BBC Cymru/Wales—11.25-1.30 pm Cricket: Glamorgan v West Indies. 1.30-1.45 Pila Pala. 1.55-4.20 Tennis and Cricket. 5.55 Wales Today. 6.15 Cricket (Glamorgan v West Indies). 6.30-6.50 Heddiw. 6.50 Join BBC 1 (Wimbledon). 12.12 am News and Weather for Wales.

Scotland—9.55 am Noah and Nelly. 10.00 Jackanory. 10.15 Cheggers Plays Pop. 10.35-10.55 Take Hart. 1.25-1.30 pm The Scottish News. 5.55-6.20 Reporting Scotland. 12.12 am News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.12 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

11.00 am Play School.
2.00 pm Wimbledon Ladies' Singles Quarter-finals.
7.50 One Hundred Great Paintings.
8.00 Mid-evening News.
8.10 The Waltons.
9.00 The Innes Book of Records.
9.25 Brass Tacks.
10.10 Wimbledon highlights.
11.00 Newsnight.

LONDON

9.30 am Check It Out. 10.00 The Wild, Wild World of Animals. 10.25 Poetry of Landscape. 10.40 The World We Live In. 11.05 Little House on the Prairie. 11.55 Dick Tracy. 12.00 Chorlton and the Wheelies. 12.10 pm Rainbow. 12.30 Doctor! 1.00 News. 1.20 Thames News. 1.30 Crown Court. 2.00 Against the Wind. 2.30 Monday Matinee: "The Purple Plain." 4.15 Clapperboard. 4.45 The Latchkey Children. 5.15 Mork and Mindy.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 The Krypton Factor.
7.30 Coronation Street.
8.00 Can We Get On Now, Please?
8.30 World in Action: Russian Games.
9.00 The Sandbaggers.
10.00 News.
10.30 Police Story.
12.15 am Close: Personal choice with Andrew Cruickshank.

All IBA regions as London except at the following times:

ANGLIA

10.00 am Chopper Squad. 10.50 Child Life in Other Lands 11.20 World Worth Keeping. 11.45 Cartoon Time. 1.20 pm Anglia News. 2.00 About Britain. 2.30 Monday Film Matinee: "The Intruders," starring Edmond O'Brien. 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 10.30 The Brian Connell Interviews. 11.00 Monday Late Film: "The Girl Who Knew Too Much," starring Nancy Kwan and Adam West. 12.45 am Reflection.

ATV

10.20 am Sesame Street. 11.20 The Entertainers (Julie Felix). 11.45 Larry the Lamb in Toytown. 1.20 pm ATV Newsdesk. 2.00 The Royal Show. 5.15 Take My Wife. 6.00 ATV Today 10.30 Left, Right and Centre. 11.00 ATV Newsdesk. 11.05 Luke's Kingdom. 12.05 am Something Different.

BORDER

10.00 Best of Weir. 10.30 How the West Was Won. 1.20 pm Border News. 2.00 About Britain. 2.30 Monday Matinee: "That Lady from Peking." 5.15 Take My Wife. 6.00 Lookaround Monday. 5.15 The Electric Theatre Show. 6.45 Photography. 10.30 Monday Moviatime: "Play Misty for Me." 12.20 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.00 About Britain. †2.30 The Monday Matinee: "So Long at the Fair." 5.15 University Challenge. 6.00 Channel News. 6.10 Project UFO. 10.28 Channel Late News. 10.35 Luke's Kingdom. 11.35 Celebrity Concert (Diahann Carroll). 12.25 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 10.00 The Best of Weir. 10.25 How the West Was Won. 1.20 pm North News. 2.00 About Britain. 2.30 The Monday Special: "News from Nowhere," film about William Morris, artist, writer and Socialist. 3.30 Survival. 4.00 Casper the Friendly Ghost. 5.15 University Challenge. 6.00 North Tonight and Area Weather Forecast. 6.35 Out at Town. 10.30 Reflections. 10.35 The Monday Movie: "The Love Machine." 12.30 am North Headlines.

GRANADA

10.00 am The Beatles. 10.15 Wildlife in Crisis. 10.35 The Woody Woodpecker Show. 11.00 Sesame Street. 1.20 pm Granada Reports. 2.00 About Britain. †2.30 Monday Matinee: "The Man Upstairs." 5.15 Granada Reports. 6.30 This Is Your Right. 10.30 Nuts and Bolts. 11.00 The Late Film: "Operation Cobra."

HTV

10.00 am The Young Country. 10.25 The Lost Islands. 10.50 Sesame Street. 11.50 Larry the Lamb in Toytown. 1.20 pm Report West Headlines. 2.00 About Britain. 2.30 The Monday Matinee: "Four Against the Desert." 5.15 Batman. 6.00 Report West. 10.35 The Monday Film: "The Burglars," starring Omar Sharif and Jean-Paul Belmondo.

HTV Cymru/Wales—As HTV West/HTV General Service except: 12.00-12.10 pm Trohetieu. 1.20 Penawdau Newyddion Y Dydd. 1.25-1.30 Report Wales Headlines. 2.00-2.30 Hamddan. 4.45-5.15 Sûr. 6.00 Y Dydd. 6.25-7.00 Report Wales. 6.30-9.00 Yr Wythnos.

SCOTTISH

10.00 am The Beachcombers. 10.25 How the West was Won. 1.20 pm News and Road and Weather. 2.00 The Royal Show. 3.45 About Britain. 5.15 Sam. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 Sounds Gaelic. 11.00 Late Call. 11.05 Kaz.

SOUTHERN

10.00 am Focus on Wildlife. 10.25 Little House on the Prairie. 11.20 History of the Motor Car. 11.45 Larry the Lamb. 1.20 pm Southern News. 2.00 Houseparty. 2.25 Mulligan's Stew. 3.45 About Britain. 5.15 Survival. 6.00 Day by Day including Southsport. 10.35 First Edition. 11.20 SWAT.

TYNE TEES

9.20 am The Good Word followed by North East News. 9.30 The Master-builders. 9.55 The New Ed Allen Show. 10.20 The White Stone. 10.45 While God was in a Concentration Camp. 11.10 Canada: Five Portraits. 1.20 pm North East News and Lookaround. 2.00 About Britain. 2.30 Monday Matinee: "What's Good for the Goose," starring Norman Wisdom. 5.15 Father, Dear Father. 6.00 North East News. 6.02 Play It Again. 6.25 Northern Life. 10.30 North East News. 10.32 Northern Report. 11.00 The Monday Thriller: "Stalk the Wild Child," starring David Janssen. 12.30 am Epilogue.

ULSTER

10.00 am The Best of Weir. 10.25 The Lost Islands. 10.50 Cartoon Time. 11.00 Sesame Street. 1.20 pm Lunchtime. †2.30 Monday Matinee: "The Man Upstairs," starring Richard Attenborough, Bernard Lee and Donald Huston. 4.19 Ulster News Headlines. 5.15 Bailey's Bird. 6.00 Ulster Television News. 6.15 *Portrait of the Artist.* 6.30 Happy Days. 10.29 Ulster Weather. 10.30 Superstar Profile (George Hamilton IV). 11.00 Kaz. 12.00 Bedtime.

WESTWARD

10.00 am The Best of Weir. †10.25 Feature Film: "Bulldog Jack," starring Ralph Richardson. 11.35 Survival. 1.20 pm Westward News Headlines. 2.00 About Britain. †2.30 The Monday Matinee: "So Long at the Fair," starring Dirk Bogarde and Joan Simmons. 4.12 Gus Honeybun's Birthdays. 5.15 University Challenge. 6.00 Westward Diary. 10.32 Westward Late News. 10.36 Luke's Kingdom. 11.35 Celebrity Concert (Engelbert Humperdinck). 12.30 am Faith for Life. 12.35 West Country Weather.

YORKSHIRE

10.00 am Wildlife—Untamed Frontier. 10.25 Alice in Wonderland. 11.10 Young Ramsey. 1.20 pm Calendar News. 2.00 About Britain. †2.30 Monday Matinee: "Nor the Moon by Night," starring Belinda Lee, Michael Craig and Patrick McGoohan. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Happy Days. 10.30 Calendar Carousel. 11.00 Pong. 12.00 George Hamilton IV.

Radio Wavelengths

1 — 1053kHz/285m, 1089kHz/275m	3 — 1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2 — 693kHz/433m, 909kHz/330m & 88-91vhf stereo	4 — 200kHz/1500m & 92.95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
		London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Steve Wright. 4.30 Newsbeat. 5.45 An Outward Bound Stayin' Alive Special. 8.00 Bruno. 8.50 Newsbeat. 10.02 John Peel (S). 12.00-5.00 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2. 2.03 pm Ed Stewart's Request Show (S). 4.03 Much More Music (S). 8.03 John Dunn (S). 8.02 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 John Timpson (S). 12.03 pm David Hamilton (S). 2.03 Wimbledon Tennis. 7.00 John Dunn (S) (joins VHF). 8.02 Folk on 2 (S). 8.02 Humphrey Lyttelton with the Best of Jazz on records (S). 9.55 Sports Desk. 10.02 Pop Score. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Haydn (S). 9.55 Piano Recital (S). 10.35 Musica Antiqua Cologne Concert, part 1 (S). 11.15 Interval Reading. 11.20 Concert, part 2 (S) 11.55 Gunther Herbig Conducts (S). 1.00 pm News. 1.05 Lieder in English (S). 1.40 Matinee Musicale (S). 2.35 Oboe and Piano recital (S). 3.10 New Records of music by Mahler (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 College Concerts, part 1 (S). 7.20 Interval Reading. 7.25 College Concert, part 2 (S). 8.05 Promenades. 8.35 Bruckner and Brahms chamber music (S). 9.30 Reckonings (story by Douglas Dunn). 9.55 Light Piano Music (S). 10.30 EBU Jazz Concert (S). 11.00 News. 11.05 Purcell (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News headlines; 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 John Ebden with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Mavis Nicholson. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service (S) 10.45 Story Time. 11.00 News. 11.05 Two-Gun Cohen (Portrait of General Morris Abraham Cohen). 11.50 Weigh-In. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1980 (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen with Mother. 3.15 Afternoon Theatre. 4.30 Letter from the Harz Mountains. 4.45 Short Story. 5.00 PM News Magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Home Again (S). 7.00 News. 7.05 The Archers. 7.20 Science Now. 7.45 The Shaw Festival: "Caesar and Cleopatra by Bernard Shaw (S). 8.40 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The News Quiz (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 9.30 Rush Hour. 10.03 Robbie Vincent's Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

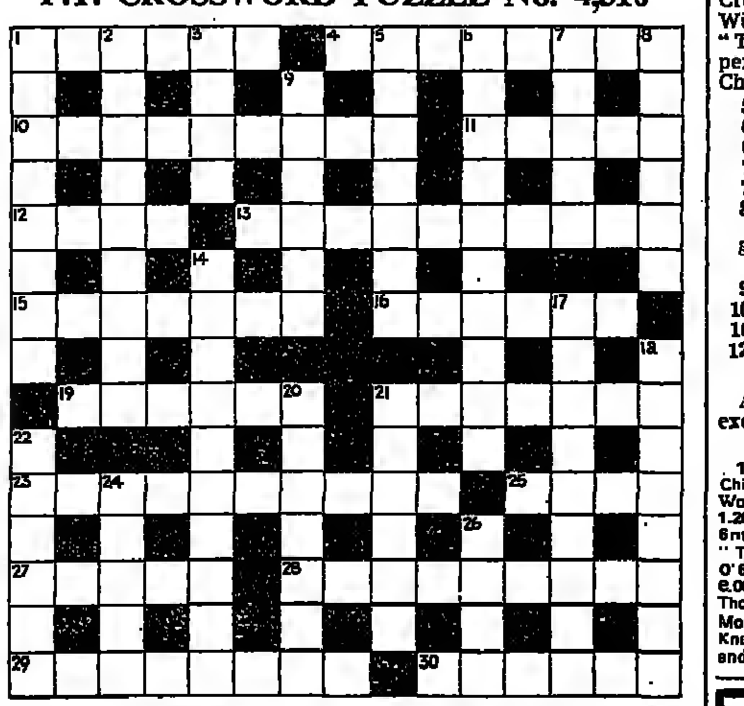
London Broadcasting

6.00 AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 8.00 pm After Eight Special—Laurence Spicer looking at the power of Islam. 9.00 Nightline. 12.00 LBC Reports Midnight. 10.00 am Night Extra.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Mike Allen (S). 1.00 pm London Today First Report (S). 1.00 Mike Allen (continued). 8.02 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Alan "Fluff" Freeman (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,310



ACROSS

1 Born wanting to scratch, spiteful (6)
4 Blackleg joining poet in case of weapon (8)
10 Unusual Oriental spectacle given travelling box-room (5, 4)
11 Book backing Pole before long (5)
12 Scientist finally losing on creature (4)
13 Girl is a mite down (3, 2, 5)
15 Like this individual to take to road in least time (7)
16 Tip I have used in salad (6)
19 English writer listeners associate with Grimm (6)
21 Undue sensitivity to everything off-grey (7)
23 Fear heaven sent little mischief (4, 6)
25 Airmen leads yours truly to top (4)
27 Conclude fashionable game official backed (5)
28 Depend on a fight for loaf (4, 5)
29 Dying to find bone hidden in heap of earth (8)
30 Old chap we hear runs into hot water (6)

DOWN

1 Stop united going on board lady (8)
2 Cast in error expelled (6, 3)
3 Listen to man in charge of paper (4)
5 Neat jab from range rider (7)
6 Instrument enabling singer to join racket (4, 6)
7 A supreme being across Channel is so long (5)
8 Impresssion going to fade away one after the other (3, 3)
9 Plant economy (6)
14 Infatuating object with lively beat (5, 5)
17 Girl with rent promises to pay Frank (9)
18 Correspondingly close to landlord (2, 6)
20 Organ after that was made of clay (7)
21 Money put on a horse (6)
22 Religious belief is within the people there (6)
24 Convicted murderer writing biography (5)
26 Look out for third-class welcome (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Ludlow Castle

Macbeth

by B. A. YOUNG

"It is a perfect night for it" we said as we sat in the sun, waiting for the box office to open at 7.00 pm. Over the finger-tinted stones of the Castle, the sky showed as much blue as cloud. Not until Act 1 of *Macbeth* had been going for five minutes at about 8.35 did the gentle rain from heaven drop upon the place beneath. It went on doing so, gently, the rest of the night and the actors went on acting and most of the audience went on watching them. I felt much admiration for both parties.

It maybe, though, that performances were not at their best. Ludlow Castle is a remarkable place for sound: voices bounce off the walls beautifully, and the further you are from the stage the better you hear them. But the hiss of rain on plastic rainwear can not have been an encouragement to the players, and I suspect they were tending to shout across it.

The production under David Kelsey stresses the supernatural. When Macbeth has a decision to make, the witches appear silently up stage; it is a witch that holds before, or rather behind, him the "dagger of the mind" (though Simon MacCorkindale's Macbeth seems not to see it in his subsequent apostrophe). We have the scene with Hecate put in by Middleton or whoever it was and rather interestingly, Seyton (alias Satan) is also the Porter, a chamberlain who haunts the court to order its proceedings. This combination isn't easy for Antony Linford; he suggests the evil beneath his courtly behaviour but the Porter's jokes seem less than usually funny.

The open air stage is in the shape of a giant crab, with four legs climbing the upstage wall, where they conceal some of the many entrances Mr. Kelsey uses. (At one point Seyton passes behind one of these legs and emerges on the other side as a witch). A vast table lifts itself from the level area for the banquet; blood-boltered Banquo (Malcolm Mudie) walks boldly along it among the haggis and bashed neeps, invisible to anyone but MacBeth.

Mr. MacCorkindale's Macbeth is handsome and heroic in appearance and operatic in delivery. He chops the verse about, sacrificing sense for orchestral brilliance, illustrating it with grand but not always meaningful gestures. As his wife, Gayle Hunnicutt is equally heroic to look at, splendidly girt in a belted scarlet dress and speaking with a ringing intelligence. She too uses some unusual readings, but to more purpose. "If we should fail," Macbeth wonders. "We? Fail?" Miss Hunnicutt rebukes him contemptuously. There is a Duncan still warlike in his old age by John Rutland, and a Banquo the essence of military rectitude by Mr. Mudie.

I now have to admit with shame, that the rain and the prospect of a long drive home in it lured me away from the castle, while the Scottish nobles were conferring at the English court, and I stood not upon the order of my going. If any of the company feel I've given them a rough deal, though I don't think I have, I offer them my apologies.

Teatro de la Zarzuela, Madrid

El Poeta

by ELIZABETH FORBES

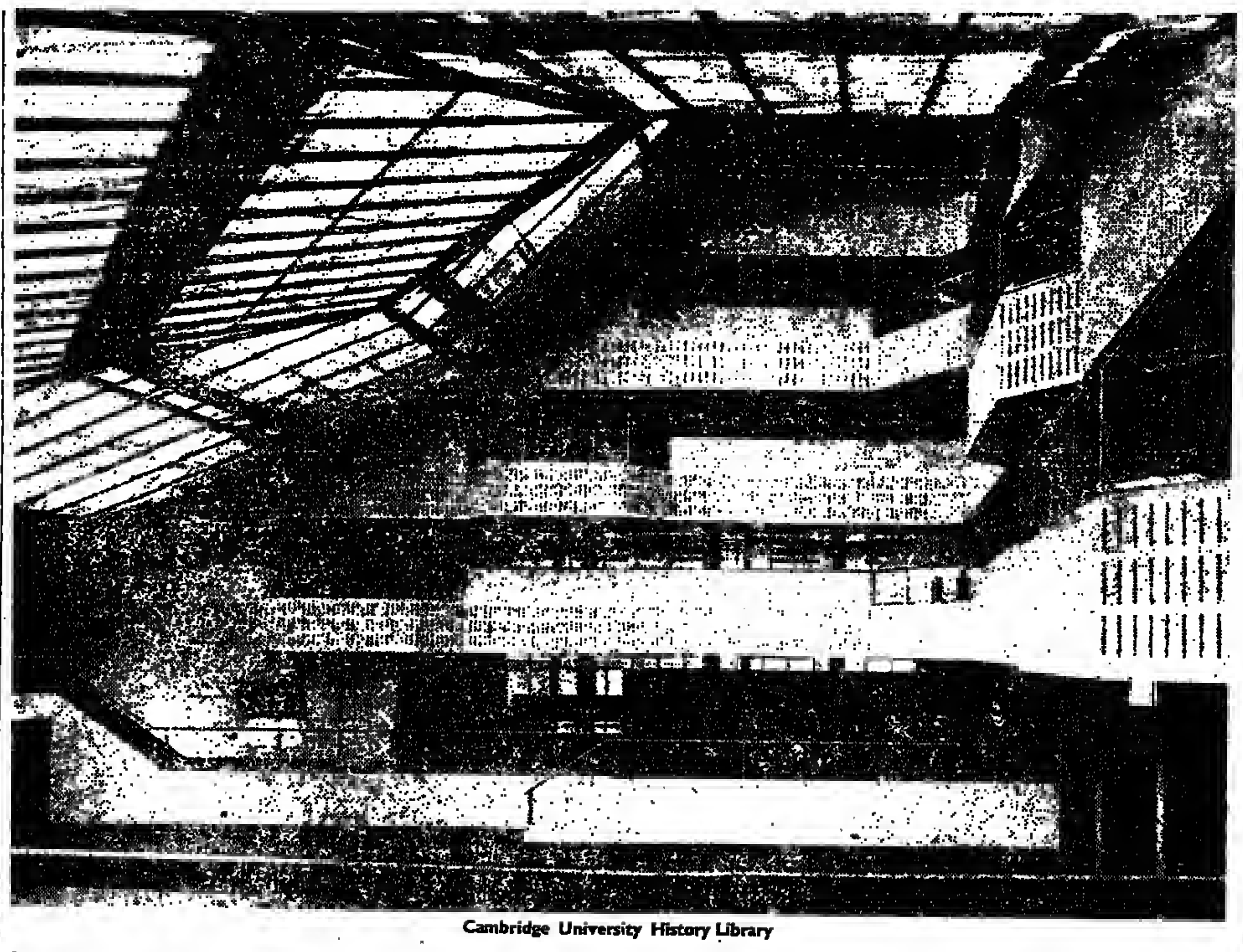
The two-month long Festival of Opera in Madrid, which earlier presented ad hoc stagings of *Macbeth*, *Turandot*, *La Bohème*, *Maria Stuarda* and *Pelléas et Mélisande*, as well as three production by the German State Opera from East Berlin, of *Tannhäuser*, *Rosenkavalier* and *Don Giovanni*, ended with three performances of a new opera, *El Poeta*, by the veteran Spanish composer Federico Moreno Torroba. Given in the pleasant, 1,200-seat Teatro de la Zarzuela, *El Poeta* was composed especially for Placido Domingo, and the Spanish tenor sings the title role of José de Espronceda.

Moreno Torroba, now aged 89, has written several popular Zarzuelas (the Spanish equivalent of operetta), among them the well-known *Luisa Fernanda* but this is his first through-composed opera. Its romantic musical idiom would have been considered old fashioned at the turn of the century, but at least the score has an individual style and flavour to it, and is not just watered-down Puccini. Apart from some traditional dances, there is little specifically Spanish in either the rhythm or orchestral colouring of *El Poeta*, but the libretto, by José Mendez Herrera, certainly has nationalistic overtones that touch sensitive chords in a Spanish audience.

José de Espronceda is one of a group of Spanish exiles driven out of their country in the 1820s by the despotic regime of King Fernando VII. When the opera begins the exiles are living in Portugal, where José meets and is immediately attracted by the young and beautiful Teresa Mancha who, together with her father and sister has just fled from Spain. Teresa is unwell after the journey, and José falls under the spell of Carmen Osorio, who becomes the poet's patroness, following him to France when the Spaniards are forced to leave Portugal. In Bordeaux José re-encounters Teresa, now married to an elderly husband, but Carmen remains confident that her influence over the poet will triumph.

An amnesty allows the political exiles to return to Spain, and at a celebration in Madrid José and Teresa, the latter now widowed, meet again and declare their love. The poet, who has been unable to write, finds new inspiration in Teresa, but she is stabbed by the jealous Carmen outside a café where José has remained to finish a poem. His inspiration is dead. The rudimentary production, mainly poor sets and unflattering costumes with which the opera is presented, are fortunately offset by a fine musical performance under Luis Antonio Garcia Navarro (who conducted *La Bohème* at Covent Garden last year). Not afraid to accentuate the romanticism or the melodiousness of the score, he secures colourful playing from the Spanish National Orchestra.

Placido Domingo, in a part tailor-made for him, sings José's impassioned outbursts of love and patriotism with great fervency, his voice displayed to best advantage. A stronger production could bring out more of the poet's character. As Carmen, Angeles Gulin scales down her huge voice appropriately, relying more on subtlety of expression and less on sheer volume of sound than she sometimes does. Teresa, a paler figure, is sympathetically portrayed by Carmen Bustamente, who responds well to the stimulus of the duets with José. The many minor roles are adequately filled. The opera was received with cheers and a few hisses—whether the latter were occasioned by the liberalism of the text or the conservatism of the music I am unable to say.



Cambridge University History Library

Architecture

The Gold Standard

by COLIN AMERY

Very few people who are not architects have ever heard of Jim Stirling. He is the man who has just been awarded by the Queen the Royal Gold Medal for Architecture. Her Majesty doesn't often give this medal away herself and this year she allowed the President of the Royal Institute of British Architects to place the gold medal on its blue ribbon around the not insubstantial neck of Mr. Stirling.

In the architectural world, both in Britain and America, Stirling is synonymous with a lucid style of architectural design that has produced drawings and buildings that combine space, structure and mechanical detail into a series of forms that are both original and beautiful. He is much better known abroad and has at the present moment schemes on the drawing board for three American universities and several buildings in Germany. He has recently received a long overdue official commission from the Government to design the new building for the Tate Gallery to house the Turner Bequest.

Jim Stirling, as he has become familiarly known, was born in Glasgow in 1926: his father was a marine engineer and the family moved to Liverpool in 1927 because of his father's work. The meticulous coloured drawings of ships' machinery that were around the family home became an important influence on the embryo architect. He trained at the Liverpool University School of Architecture and set up as an architect in private practice in London when he was 30. In the early years as a private architect he was in partnership with James Gowan and they jointly produced the most famous early "Stirling" building, the Leicester University Engineering Faculty completed in 1963.

It was this building that broke the sound barriers of the Modern Movement in Britain and showed the world that the fossilised rigidities of modernism could be cast off in favour of a new intellectual excitement. The Leicester building, and you cannot miss it on the campus or from the railway, is a staggering performance in red brick, industrial glazing and red tiles. The towers are balanced by cantilevered lecture theatres and there is a daring display of angular forms that is, at one and the same time, brash and beautiful. At Leicester Stirling was really playing architectural gymnastics: there are moments when you think that he could fall from the wall bars but his engineering skill and his ability to see the whole building as a three dimensional unity saves the day.

From Leicester he went on to design several university buildings in this country—the Florey building for Queens College, Oxford, the History Faculty Library for the University of Cambridge and some residential accommodation for the University of St. Andrews.

The History Library at Cambridge has been one of his most controversial buildings: it is both loved and hated by those who use it. The building is a series of separate elements; lifts, stairs and a large tent-shaped roof that covers the great reading room. This room is one of the best interior spaces that a modern architect has produced in England: a fan-shaped room covered by a swooping glass roof that rises up to the height of a five storey building.

Its critics complain that the room is hot and uncomfortable to use and no one can deny that it is a wilful conception that depends for its success on the use of a high degree of servicing. The library stands among the Arts faculty buildings designed by Sir Hugh Casson that today seem to have a rather reticent humour about them, as though he was joking politely about modern architecture.

Stirling's building is certainly not polite and it is too experimental to be seen as anything other than a boldly original conceit.

During the 1970s much of his work came about through international competitions although he completed an important building for Olivetti at Haslemere in Surrey where he enjoyed using the flexible qualities of glass-reinforced plastic materials. He also defined his formal planning vocabulary in a large public housing scheme for Runcorn New Town.

Germany has been a particularly fruitful source of competition ideas, and proposals for a new Stattsgalerie and Chamber Theatre in Stuttgart are now under construction.

The award of the Royal Gold Medal has come quite early in Mr. Stirling's career and it is to be hoped that it is only the prelude to what really matters to an architect, that is commissions. British firms and public bodies gave a start to a career that has to date been awarded more generously by foreigners. While architecture is an international business it would be a tragedy if this gold medallist built all his best buildings abroad.

Hampstead

Buried Child

by B. A. YOUNG

"It's like a cover by Norman Rockwell," Shelly giggles when Vince brings her to his grandparents' home in rural Illinois, visualising grey-haired oldsters, freckle-faced kids and a lovable little mongrel dog. She is wrong. Vince's grandfather Dodge is moving into senility: he lies immobile on the sofa which is the only substantial item of furnitura in the room, wearing a cap in case his son Bradley should want to come and cut his hair. Vince's father Tilden, Bradley's elder brother, is even further out of his mind than Dodge: he has a mysterious stain on his record and his only actions now are to bring in armloads of corn or carrots from the plantation that the rest of the family won't believe exists. His conversations is mostly vague and defensive. Dodge's wife, aggressive and flighty, is prone to spending nights away from home in the company of Father Dewis.

Vince, who hasn't been home for ten years, is so appalled by the state of his family that, when Dodge asks him to go and buy some whisky, he simply drives off into the night, leaving Shelly to look after herself. She is a confident girl, and not so silly as you might deduce from her first appearance; by the morning she has survived the mad proximity of Dodge and Bradley (the others having disappeared) and actually tries to make her unwilling hosts comfortable. Vince comes back fighting drunk; and when Dodge's wife Halie returns she has changed from her black mourning (for her middle son Ansell, whom she believes died heroically in the Army, though he died in a motel bedroom) and has the Father in tow.

Shelly may have been wrong about the Rockwell cover, but Sam Shepard's play has a good feeling of Saturday Evening Post about it. Throughout the evening, clues are dropped in conversation. "My flesh and blood is buried in the back-yard," says Dodge. "I had a son once but we buried him," mumbled Tilden. And Tilden says more, he tells Shelly of the day when Dodge took a tiny baby and drowned it like a puppy. The awful truth is revealed at the end of the play in honest Saturday Evening Post style. The baby was Halie's, but the father was Tilden; and to round the tale off tidily, Dodge leaves his farm to Vince and dies, while Shelly drives away in Vince's car. To cap it all, Tilden comes in bearing the dug-up body of his child.

The artificial quality of the story didn't worry me at all; I thought the evening fascinating throughout, largely because of the quality of the playing. All the same, Nancy Meckler, the director, has done some curious casting. Assume that Vince is about 20, and Shelly the same; then Tilden will be in his forties and Dodge verging on 70. Philip Davis fits Vince very well, but Stephen Rea as Dodge, Neil Johnston as Tilden and Tony Rohr as Bradley all look about the same age, and you wouldn't say there was more than a decade between Julie Covington's Shelly and Marty Cruickshank's Halie. This doesn't stop them from providing some good acting, even if there are times when it's advisable not to look too closely.

*

Harold Pinter's early play *The Hothouse*, this theatre's last incumbent, has now moved into the West End and opened on Wednesday at the Ambassadors. I reviewed it on this page on May 3.

Central Hall, Westminster

Mahler's Eighth Symphony

As composed celebrations go, Mahler's "Symphony of a Thousand" is among the most splendid. It is not impossible to tackle it with less than professional forces, as Joseph Pilbery proved on Saturday with his New Westminster Philharmonic (in aid of the British National Committee for Prevention of Blindness). The visiting Canterbury Choral Society and Canterbury Cathedral Choristers were willing, if insufficiently numerous — against Mahler's massive orchestra (even reduced, as it was here) many a choral entry hardly made itself felt. What they did was spirited and musical nonetheless; and the professional contingent of soloists, all eight of them, was strong enough virtually to carry the performance.

None of them lost any musical opportunities, and a short notice must be invidious. Kenneth Bowen led the "Veni creator spiritus" with authority and style: Margaret Cable's beautifully placed alto was everywhere warm and telling. The well-matched sopranos were Wendy Eathorne and Anne Conoley, joined later by Floretta Volovini, as a sweetly persuasive Mater Gloriosa. Anne Collins, co-opted at short notice, made a firm, confident Maria Aegyptiaca, and there was urgently lyrical singing from David Wilson-Johnson and Ian Comboy.

In other respects, we had a sympathetic but mild-mannered reading. Pilbery kept up bold tempi for the "Veni creator spiritus" (brass and first violins following with evident caution), and managed a fine, exuberant climax. The Goethe movement might have seemed pedestrian without the excellent soloists: granted that sustaining very slow tempi is hazardous for non-professionals, Pilbery took too much of the music with matter-of-fact briskness — notably the final Chorus Mysticus — either to reveal its full breadth or to define its shape over its expansive workings-out.

DAVID MURRAY

Festival Hall

Bavarian Radio

Friday night's visit by the Bavarian Radio Symphony Orchestra to the Festival Hall proved a timely reminder—just when British examples are so notably absent—of what a broadcasting organisation with a sense of responsibility and stability can achieve. The orchestra was conducted by Rafael Kubelik, who, until his retirement last summer, directed the ensemble for 18 years. The bond between players and conductor remains strong, and it produced exceptional results in a programme of two symphonies, Mozart's last and Mahler's First.

Their collective style is modest, purposeful and imaginative. Not everything is perfect, but the relation of parts to the whole, the overall interpretive approach and the sense of corporate identity all come together to give their work distinction. In Mozart's 41st Symphony as much attention was paid to the endings of phrases as their beginnings, so that the fast tempi Kubelik set never clipped the music's wings. The string tone, at once resonant and clear, like layers of carefully built up varnish, was admirable. Their numbers were wisely restricted in the Mozart, which was founded on a bass line of five doublebasses and six cellos. There were times, notably in the minuet and trio, when the woodwind contribution was obscured, and I would have liked to have heard more of the trumpets and tympani in the outer movements, but in general internal balance was good.

More importantly, Kubelik maintains the traditional German seating of the orchestra, violins separated on either side of the platform, cellos in the centre playing out into the auditorium. Mozart and Mahler composed with a similar disposition in mind, and it allows the phrase structure of not a few important passages in both symphonies to be heard clearly. It also enables the bass line to be strongly projected into the auditorium without forcing.

Kubelik is a famous Mahler interpreter, and his reading of the First Symphony is familiar. This work is well on its way to replacing Brahm's First as the standard Visiting Orchestra's Calling Card, but despite such over exposure, the imaginatively controlled response of the players brought the Symphony to life.

RICHARD JOSEPH

Wigmore Hall

Renato Bruson

"Songs and arias by Scarlatti, Gluck, Donizetti, Verdi, Respighi" said the hand-out for the baritone Bruson's first London recital, on Friday evening. So far, so good. In fact, Donizetti and Verdi were represented by three songs each, no arias. The other composers provided one item apiece, as did the unbilled Piccinni and J. P. Martini ("Plaisir d'amour" Martini). The equally unannounced Tosti had most of the second half to himself, with seven songs. The sequence was clumsy. Three successive Donizetti ditties in vivacious triple time would have sounded less monotonous if they had alternated with the more various Verdi. At the piano, Craig Sheppard made the most of every meagre chance offered by the accompaniments.

Tosti is not to be despised. But he needs as well as beautiful tone (Bruson's voice, dark and luxurious as velvet, sometimes recalled records of Emilio de Gogorza, husband of Emma Eames) elegance of expression for the salon side and sparkiness for the local colour—both absent on Friday. Bruson sang Tosti as if he were afraid of vulgarity, and the music went droopy. Singing from the notes (though without making much of the words) did not help: can it really be so difficult for a leading artist with many of the great baritone roles in his repertory to get these trifles by heart?

The resplendent performer admired at Covent Garden and elsewhere was unmistakably heard only once, in Germont's aria from *La traviata*, given as an encore. These star recitals are likely to become more, not less, frequent as the stars' vociferous fans find it ever harder to pay for opera tickets. But in the Wigmore Hall, its serious reputation triumphantly re-established, the management should perhaps consider tactful advance vetting of programmes. The main difficulty presumably comes with the Italians, shy of the German and French repertoires. Even so the old type of opera singers' programme, stuffed with well-known arias, is preferable to such a diffident bid for musical respectability as this one. What a waste!

RONALD CRICHTON

TENNIS BY JOHN BARRETT

Wimbledon still 65 games behind

THE ONLY winner during Wimbledon's first week was the weather — and, perhaps, the caterers, whose alarming prices surprisingly deterred only a handful of the frustrated spectators who also spent record sums in the Wimbledon Shop.

Only one of the six days was uninterrupted by rain, and despite three mid-day starts that should have provided six extra hours of play, the backlog of matches, which on Thursday had swollen to 100, is still 65.

Both singles are one full round short of the quarter-finals which normally begin today for the women and tomorrow for the men. Thus the customary days of rest which second week survivors normally enjoy, will be denied them. Even assuming no more interruptions only the women's finalists can look forward to a day to recharge batteries, though the men will be back to normal by the semi-finals stage.

All of this will place an extra strain on nerve and sinew already stretched by the frustrations of a fitful first week, where even such outstanding favourites as the top men's and women's seeds were losing sets unexpectedly.

Bjorn Borg having survived a difficult third set against an enterprising opponent in Shlomo Glickstein of Israel, who had unexpectedly beaten Raul Ramirez (México) in five sets, was fully extended on Saturday by Rod Frawley. The way this fast improving Australian took charge of the second-set tie-break with old-fashioned serve and volley, was heartening. Nor was he outplayed in the fourth set which the Swedish champion turned his way in the 12th game to win 6—4, 6—7, 6—1, 7—5.

That Martina Navratilova should have lost a set to Tanya Harford, was less surprising for those who remembered the South African girl's match against the champion of the opening day last year when she achieved as much had been impressed by her potential on fast courts. At 3—3 in the final set on Saturday on a soft and unpredictable Court 2, a major upset became distinctly possible, but Miss Navratilova broke service with two scorching winners.

The survival of two qualifiers, 33-year-old Onny Parun (New Zealand), who has endured three operations on his neck, and the 22-year-old South African, Kevin Curren, the U.S. collegiate champion — was remarkable.

That No. 13 seed Wojek Fibak of Poland should have survived the four match-points against him in the opening round was equally remarkable. Two years ago his opponent, the big Australian Mark Edmondson, led Borg by two sets to love on Court 14. This time, on one match point, Edmondson had the whole court at his mercy, but slipped and missed the ball altogether.

The peak of excitement came on Friday when a little-known Australian, Terry Rocavert, caught the No. 2 seed, John McEnroe on an off-day on the noisy Court 3. In the fourth set tie-break, Rocavert broke the American's serve to lead 2—1, and was just five points away from a famous victory.

But thanks to a double-fault racket arm, McEnroe escaped and a tightening of Rocavert's and on Saturday looked a different player as he blasted out Holland's Tom Okker 6—0, 7—6, 6—1.

Of the 14 mens' seeds who started, only eight survive. Two meet today—Vitas Gerulaitis (4) and Fibak (13). Two unseeded players face one another—Brian Gottfried, who beat fellow American Stan Smith, No. 15 seed, and Australia's Phil Dent who dismissed the No. 8 seed, Victor Pecci (Paraguay).

The winners of these two matches meet in the quarter-finals tomorrow, in the top half of the draw. Above them Borg seems likely to face the No. 6 seed, Gene Mayer (U.S.) tomorrow.

In the lower half, Roscoe Tanner who looked very sharp indeed on Saturday in beating Paul McNamee (Australia) 7—6, 6—4, 6—4, plays the tired Saviano, prior to his expected explosive clash against Jimmy Connors, who must first beat fellow American Hank Pfister, who eliminated his doubles partner, Victor Amaya, seeded 14, on Monday.

Below, Peter Fleming (U.S.), the No. 7 seed should end the hopes of Parun, to meet his doubles partner McEnroe.

There are only four non-seeded girls in the last 16, and most of the fourth-round matches look predictable.

CRICKET BY TREVOR BAILEY

Good prospects for Northants

NORTHAMPTONSHIRE qualified to meet the holders, Essex, in the Benson and Hedges final at Lords on July 19 after semi-finals which both upset the form book.

Although Northants were losing Gillette finalists last year and have been performing impressively, their 11-run victory in a splendidly contested match came as a surprise, because their opponents, Middlesex, are not only the most powerful county but this was also their first defeat in any form of the game.

Handicapped by several niggling injuries, with Lever less penetrative than usual, Philip out of form and Turner injured, Essex had been losing matches to teams, especially in the Sunday league, whom at their best they would expect to beat comfortably.

In these circumstances they cannot have been too confident against Worcestershire, who possess a fine batting line-up of match-winning batsmen, while the arrival of Alleyne from Barbados has sharpened their attack. The size of their win by eight wickets with four overs to spare was therefore somewhat unexpected, and should prove a tonic.

The good record of Northants in limited-over cricket stems largely from five well-above-average batsmen. Cook, the soundest, Willey, currently a member of the England team, Williams, the most promising, Larkins, the most exciting, and the South African, Lamb, the most talented.

They are at their most dangerous on an easy-paced pitch, where their batting quintet reckon to outscore the opposition in the overs available, and this is exactly what Middlesex generously provided in the semi-final.

The covered Test wicket, still without malice and life after a week, was used because the rest of the square was wet. Any other pitch would have been difficult and must have suited the home side. I wonder how many other counties would have been so considerate to their opponents with a place in the final at stake?

Although it was pleasing and rather a change for the highest scorers in the two semi-finals, Gooch, Ormrod, Williams and Gatting, to be homegrown talent, overseas players do still continue to dominate our domestic game. The most accomplished batsman as well as the best bowler in the Northants XI and an opening bowler for both Essex and Worcester, in addition to key strokemakers, come from abroad.

The main reason for Middlesex's outstanding record this summer has been the signing of Vanderhijl, as cover for Daniel, who was expected to be picked for the West Indian tour. This had given them the most formidable new ball partnership on the domestic circuit, with the possible exception of Hadlee from New Zealand and Rice from South Africa for Notts.

On the placid Lords pitch, Northants, mainly through the efforts of Williams and Larkins, built up a reasonable though hardly match-winning score. Even so, it proved enough, despite an innings of rare skill, strokes and improvisation from Gatting in which he demonstrated that he has developed into one of the best middle-order batsmen around, because Sarfraz, their one genuine class bowler, caused an early collapse, and later settled the issue with a decisive final burst just when it seemed that Gatting had succeeded in steering the Londoners home.

In his second spell Sarfraz removed three of the last four batsmen in seven deliveries for two runs and caught the other to finish with five wickets for 21 off 11 overs—a bowling performance which is unlikely to be surpassed, considering the wicket and the occasion, in limited overs cricket this summer.

It was always probable that the other semi-final which straddled three days because of rain would largely depend on which of the four major strokemakers, Gooch and the South African McEwan for Essex, and the New Zealander, Turner, and Younis from Pakistan for Worcestershire provided the big innings, as neither attack was likely to dismiss the opposition on a friendly pitch.

On this occasion Gooch obliged with a majestic 81. It not only set up the victory but was collected with a speed and assurance that made sure his team were always ahead of the opposition's run-rate should rain fall.

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Recession and protectionism

"WE ARE resolved further to strengthen the open world trading system. We will resist pressures for protectionist actions, which can only be self-defeating and aggravate inflation." So the leaders of the key industrial democracies concluded at their economic summit meeting in Venice last week.

It is not the first time that such sentiments have been uttered. Ever since the first oil shock in 1973, the Western industrialised countries have been declaring their determination to uphold the principles of free (or at least free-ish) trade. On the whole, they have stuck to their pledges pretty well. There has been the occasional lapse here and there: on textiles, for example, and perhaps a certain lack of generosity towards the developing industries of the Third World. But, in general, their policies are not notably more protectionist than they were a few years ago.

Pledges

In 1980, however, the pledges are coming under strain. Rarely can there have been such a potential conflict between the internationalist desire to resist protectionism and the need to cope with domestic recession. The depth of the American recession has become increasingly clear in the last few months, though its duration remains uncertain. The same is true of Britain. But it is not just an Anglo-American phenomenon. West German growth forecasts are being steadily scaled down, while the Japanese economic performance is buoyed up largely by exports. There is a strong possibility that the major economies will be in recession at the same time, which was not the case in the 1970s. There is also a degree of inflation—not just in Britain and the U.S., but even in West Germany—that is not usually associated with an economic down-turn.

Competition

The reaction is similar from country to country. It is not only in Britain where the cry is heard for a respite from imports of textiles, cars, steel and various consumer goods. The same refrain is at least as voluble in the U.S. Moreover, it comes not only from trades unionists fearful for their members' jobs, but also from industrialists and sometimes from politicians with an eye on their constituency interests. Even multinationals like Ford, which were once thought all-powerful, are now acknowledging their vulnerability. The cry for help is likely to get louder as the recession deepens.

There is no sign so far that governments are preparing to give in. Yet if the demand for protection seems bound to increase, it is worth marshalling the argument why it should be resisted. There is no reason to believe that keeping out foreign goods will reduce inflation. On the contrary, it is more likely to increase it because it will reduce competition. Does anyone really think that BL would produce better and cheaper cars if the Japanese and the Europeans were eliminated from the British market, or that Chrysler would be in any better shape if there were no Toyotas in America? The fault lies at home and will be compounded if competition is reduced.

There is also a humanitarian side. Many of the imports to which those who call for controls object (though not the consumers who buy them) come from countries which are poorer than we are. Does one encourage third world development, or technological progress, by turning away cheap third world exports?

Protection tends to breed protection. In the U.S. demands for controls come from different states with different economic interests. If President Carter, who has so far done well to resist, were to give way to one state or one sector, he would be under pressure to do the same for others. The same process could be repeated on an international basis.

Costs

There remains the political argument. The objective of the economic summits is to hold together the industrial democracies in the face of adverse economic and security circumstances. Keeping out each other's exports, or turning on the exports of the third world, is no way to achieve this unity. Protection might provide short-term benefits for employment, but the international political costs would be severe. Nor would there be any long term economic benefit, even at home.

Tragic victim of power game

ASIA had only a brief respite from war after the Americans pulled out their troops from Vietnam in 1975. That withdrawal at the time seemed to bring down the curtain on more than two decades of great power rivalry on the continent. But now, in both Afghanistan and Indochina, the U.S. and the Soviet Union see themselves involved in a test of strength—and one made more dangerous because the Chinese are also a party to the conflict.

The U.S. decision to speed up the supply of arms to Thailand following the recent Vietnamese incursion into Thailand, and the strong statement issued at the weekend by Mr. Edmund Muskie, the U.S. Secretary for State, condemning the Vietnamese attack reflect the parallels in the U.S. view of the importance of standing up to the Russians both in South East Asia (where the Vietnamese are protected by a treaty of friendship with Russia) and in Afghanistan and the Gulf.

The debt of rivalry forbodes a continuing period of instability in two parts of the world critical to the West as major oil or commodity suppliers.

Warning

The Vietnamese raid into Thailand was probably intended as no more than a sharp warning to the Thais. The Vietnamese have become increasingly anxious at the amount of support that Thais have been providing Khmer Rouge forces opposed to the Vietnamese backed regime in Kampuchea. Bangkok's decision earlier this month, therefore, to repatriate to Kampuchea refugees who clearly included a large number of rested Khmer Rouge irregulars was taken by Vietnam as an intolerable provocation.

The Vietnamese struck back in the only way they know. But the blame for the incident by no means lies with the Thais. They have had to put up with the intolerable strain of large numbers of Kampucheans effectively forced across the border by the Vietnamese whom the Vietnamese hoped to use as a bargaining counter in any negotiations over a political settlement in Kampuchea.

The chances of such a settlement seemed moderately hopeful only a few months ago, but after the Vietnamese attack, the five member Association of South-East Asian nations (ASEAN), whose foreign ministers were meeting last week, rallied behind Thailand.

At their gathering in Kuala Lumpur, the ASEAN states — Thailand, Malaysia, Indonesia, the Philippines and Singapore —talked as much about strengthening military co-operation against Vietnam as about renewing the dialogue with Hanoi. Malaysia and Indonesia until recently have been anxious for an accommodation with the feeling that over the long run the Chinese are more of a threat to South-East Asia than Vietnam," and they may well resume this stance.

Determination

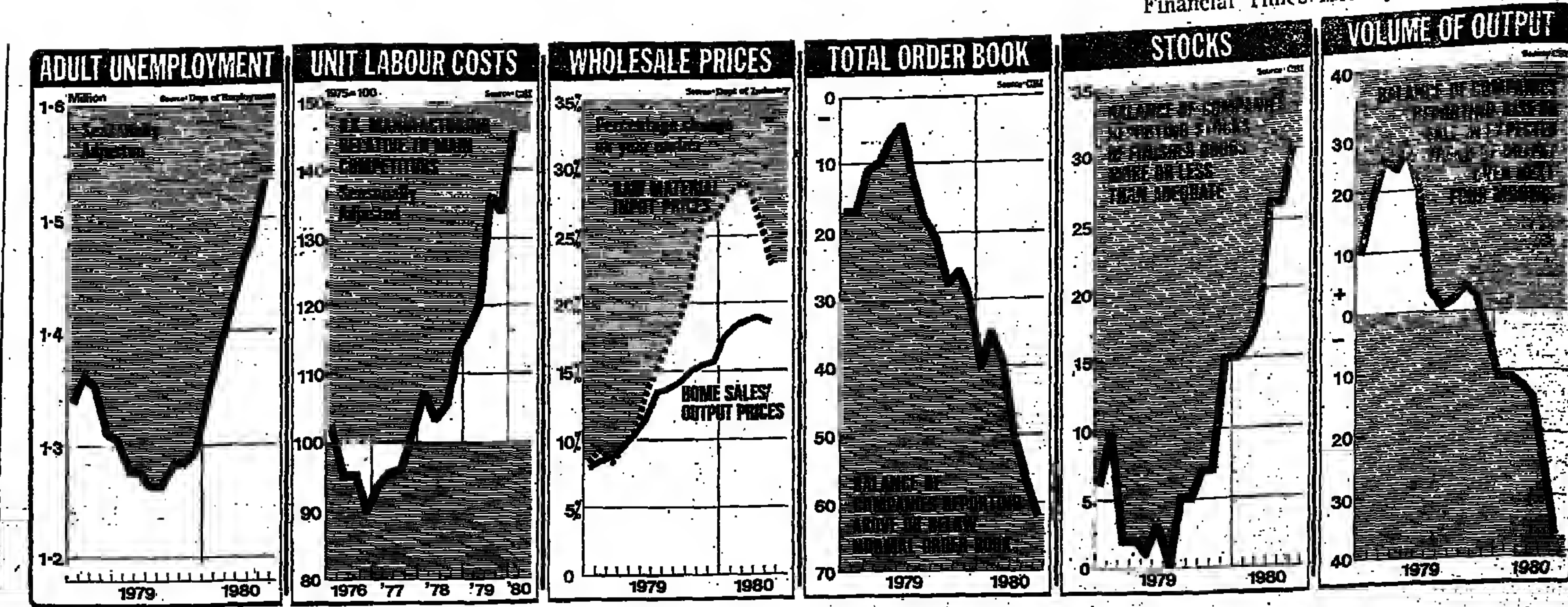
Like the Russians in Afghanistan, the Vietnamese are finding in Indochina is that they have bitten off more than they can chew. In pursuit of what has been an historic goal, the Vietnamese seem determined to assert their control over Laos and Kampuchea, to establish an Indochina Federation.

Their next move is likely to be a new offensive against Khmer Rouge forces holding out Kampuchea. But the cost of such operations is proving immense, with the Vietnamese having the support the third largest army in the world from three economies close to collapse. The only substantial foreign assistance is coming from Russia and its COMECON allies.

The Chinese are determined not to let Vietnam off the hook. They have no wish to see a strongly established pro-Russian power on their southern border. Their long-term aim is to maintain pressure on Vietnam — either directly through the threat of an attack on Vietnam's Northern border or indirectly through Kampuchea and Laos —so as to undermine the Vietnamese regime and pry Hanoi away from the Russians.

The tragedy of this power game is that it is being played out in complete disregard of the appalling suffering in Kampuchea which has already gone through worse hardships than probably any other nation in the world today.

The immediate consequence of the Thai-Vietnamese conflict has been to halt the flow of aid across the Thai frontier into Kampuchea where all international aid agencies are reporting an increasingly alarming food shortage. The first priority of the international community must be to see what can be done to elevate the suffering in Kampuchea and to prevent another famine.



The month the orders dried up

BY PETER RIDDELL, Economics Correspondent

APRIL was the cruellest month this year for much of British industry. Suddenly and brutally business was forced to come to terms with the recession. Inquiries dried up, order books shortened and companies were forced to cut back in face of a tightening squeeze on liquidity.

The full cost of the downturn has become increasingly clear during the past fortnight. Almost daily, companies with household names have announced large cuts in their workforce. In the past week alone the list has included Burton Group (750 jobs), Ford UK (2,300 jobs), Delta Metal (400 jobs), Fodens (630 jobs), BSR (2,300 jobs) and GKN (2,000 jobs), as well as many smaller-scale redundancies.

The impact is now being reflected in the official statistics. For instance, industrial output in April was 4½ per cent lower than a year earlier and nearly 3 per cent less even than during the strike-affected previous six months. Since then—to judge by the gloomy indications from industrial trends and business opinion surveys—there is no doubt that production has fallen further.

The most dramatic and politically sensitive consequences are in the labour market. Apart from a doubling of redundancies during the last year, companies have also been cutting back on new recruitment. The result has been an accelerating growth of unemployment. Even after allowing for the summer bulge of school leavers and seasonal fluctuations, the rise of almost 51,000 in adult unemployment in the month to mid-June was the largest since the depths of the last recession in 1975. This means that the total has jumped by 272,000 to 1.53m in the last nine months—a 21½ per cent rise. Almost all officials and economists now concede that the 2m. mark will be passed within the next 12 to 18 months.

Nothing of what has happened is in any way surprising or as sudden as the impressions of industrialists and the recent large lay-offs might suggest. Businessmen may now be complaining that, however much they approve of the Tories' cuts in income tax and their fight against inflation, they did not vote for the destruction of Britain's manufacturing base. Who did?

But at the very least a tight squeeze on industry is precisely what could be expected from a reliance on monetary policy to cut a high rate of inflation. The only real surprise is that it has taken so long for the squeeze to make such an impact on output and on jobs.

The gloom should not, however, be overdone. The brunt of the recession has so far fallen mainly on manufacturing industry, which employs less than a third of the total UK workforce. Even within manufacturing the survival of most companies is not seriously threatened. Moreover, the consumer is benefiting from the very factors which are hitting manufacturing—a strong pound and competitive curbs on price rises.

Businessmen did not vote for the destruction of Britain's manufacturing base

Industry started to be squeezed two years ago as a result of both the acceleration in the growth of labour costs and the rise in the pound.

The result is that unit labour costs in British manufacturing rose by more than 40 per cent compared with costs abroad between the low point for sterling in autumn 1976 and this spring. The deterioration in the competitive position of British goods meant that imports accounted for around three-quarters of the increase in UK demand last year. But British industry was not altogether by-passed and output still increased, albeit slowly.

Many industrialists a year ago appeared to share the qualified optimism of the East Midlands businessmen quoted in the CBI's economic situation report at end-June, 1979. They said activity had picked up "quite well" from the effects of the winter strikes and that there was "an atmosphere of greater business confidence." However, official statistics suggest that this was just the time when economic activity started to turn down. Vacancies notified to Department of Employment offices—always a good pointer to economic trends—started to fall in June, 1979 and unemployment began to rise in the autumn.

Some companies were already under severe pressure in this period. The textile, leather and clothing sector is particularly exposed to the impact of the strong pound since many of its goods are sold in highly competitive high volume markets with low profit margins. Its output started to decline in the summer of 1979 and by the first three months of this year had already dropped by a tenth and was still falling.

For most of the rest of industry the end of the steel strike at the beginning of April was the turning point. The expected pick-up in demand did not materialise. Instead, companies were faced with a cut-back in orders from both home and abroad. There appears to have been a worldwide downturn in economic activity in the spring—first and most dramatically in the U.S. where industrial output fell by more than 4 per cent in two months and more recently also in West Germany and France.

Within the UK consumer demand started to decline in late March and early April. In part confidence may have been undermined by the rise in unemployment. Moreover purchasing power was squeezed by the sharp rise in local authority rates and rents and in nationalised industry prices in April. The result has been a steady decline in the volume of retail sales—down 2½ per cent between January and May—and a sharp fall in new car registrations.

The impact on output has been much larger than the fall in demand. This is because companies have slashed their orders from suppliers by more than their sales to customers to reduce excessive stocks of raw materials, work in progress and finished goods. New orders in the machine tool industry have dropped by over a tenth this year and there have been reports in the last week of a drop in sales of some chemicals in the UK of as much as 40 per cent in recent months. In the consumer goods sector domestic furniture deliveries fell by a tenth between March and April alone.

Demand and output are still falling. The June CBI monthly trends enquiry last week reported a sharp increase over the last couple of months in the number of companies with order books below normal and expecting a decline in the volume of output during the next four months.

The length and depth of the recession are obviously impossible to determine. An adjustment in stock levels typically lasts for one or two years. But this time the starting point was a record level of stocks relative to output. Somewhat unexpectedly manufacturing industry managed to cut its stocks by a record amount between December and the end of March. There was also a big drop in retailers' stocks in April. In large measure this is a direct result of the record level of interest rates which makes it very expensive to hold stocks. The pressures have been reflected in the wave of price-cutting campaigns launched by major retailers in the last fortnight.

A reduction in stock levels accounts for most of the 2½ per cent drop in the total output this year forecast by the Treasury in March. The expectation of most economists is that there will be a further, though smaller, drop in output next year but that the level of activity will bottom out in the late summer of 1981. For instance in its Economic Outlook published to-day the London Business School says it expects world-output to start recovering in the second half of 1981 and domestic demand may also pick-up after a possible slowdown in the inflation rate. Yet on the Business School's view it would take until the end of 1982 to regain the pre-Budget level of total output, including the still growing North Sea oil sector.

But the survival of most companies is not seriously threatened

The generally bleak picture so far presented has been only from one side—that of the producer groups. There is another side to the picture—that of the consumer. The rise in the pound which hits textile manufacturers also reduces the relative cost of clothing to the consumer. It is no coincidence that prices of clothing and footwear have risen less than two-thirds as fast as retail prices generally in the last year.

Similarly, last week's CBI report that the proportion of manufacturing companies expecting to increase their domestic selling prices was the lowest for more than seven years might have been a bad omen for industrial profits but it was good news for the consumer.

There could be a short-lived squeeze on real incomes and consumer spending if nominal wage increases are successfully held below the rate of price inflation during the coming pay round. But during the first half of the 1980s it is probable that the combination of North Sea oil and a relatively strong pound will sustain average living standards, in contrast to the mid-1970s when real incomes and spending fell sharply.

Consequently, many people working outside manufacturing and living in the southern half of Britain may hardly feel the pinch of the recession.

Any rise in average living standards is, however, unlikely to match the pace of the 13 per cent increase betwen 1977 and 1979.

This may be a necessary antidote to the current hysteria. But it is of scant immediate comfort to either politicians or industrialists. For them the central questions are whether the Government's policies will succeed in reducing the inflation rate and what will be the impact on the structure of British industry.

On the first question, the Government's record is poor. A tight monetary squeeze has so far affected earnings growth only in the more exposed parts of manufacturing and pay increases have accelerated in the rest of the private sector and in the public sector. But the 12-month rate of increase in retail prices is likely to have passed its peak. This is not only because of the absence of large exceptional factors such as last year's increase in VAT but also because price rises are being constrained by the competitive pressures of the recession. Whether and when, the 12-month rate—currently 21.9 per cent—can be reduced to single figures is anyone's guess.

Consumers are benefiting from the factors hitting manufacturing

The impact on industry's structure is even less certain. The evidence so far suggests that companies, particularly the larger ones, have learnt from the events of 1974-75 and, in order to protect their financial position, they have shed labour and reduced stocks and investment more rapidly than in past recessions. Such precautionary action could limit the decline in profits and liquidity though at the immediate cost of lower output and employment. The key issue is whether this merely means a long overdue slimming of overmanned and inefficient operations or whether it represents a permanent rundown of basically viable businesses.

The dilemma of industrialists is reflected in the comment quoted in the latest FT survey of business opinion: "In the long term I know Margaret Thatcher is doing the right thing but I am worried about whether British industry will survive in the short term." On present evidence the fears about the creation of an industrial wasteland are likely to be exaggerated. But there is also no doubt that the squeeze on industry and the loss of jobs will increase over the next few months.

MEN AND MATTERS

New meaning for staff screening

The chips are down, it seems, for office workers given to taking time out of the office for shopping, hair-dos and the exercise of other extra-mural "rights." This is the impression I gathered during a fleeting, hurried (champagne was served) and slightly alarming trip into the future, courtesy of the Star Computer Group.

Star has automated its own administration in London with a mind to persuading customers to follow suit, and now claims to run Britain's first wholly-electronic office.

Almost all the 50-odd staff sit at desks equipped with individual television screens and keyboards. Linked to a computer, the inter-desk network is intended to cut out paperwork and speed up the often tortuous and tedious processes of daily administration. Memos, for example, are called up on the screen. Rough drafts of letters and documents—which cannot be typed until they have been checked—are no longer necessary since the boss can summon up to his own screen what his subordinates have prepared.

The alarming thing is that staff are supposed to tell the computer where they are going should they leave the desk, or "work station" as the office-of-the-future people insist on calling it. Provided they are honest (and who would be foolhardy enough to mislead a machine?) they can be tracked down at a press of a button.

But not all, I am heartened to report, is silicon sophistication. Amid all the chip-age ironmongery which dominates Star's futuristic office stands a good old-fashioned telephone exchange. Tall, sturdy and stuffed with clumsy plugs and laced about with wires it would not look out of place in the Science Museum.

Weeding out

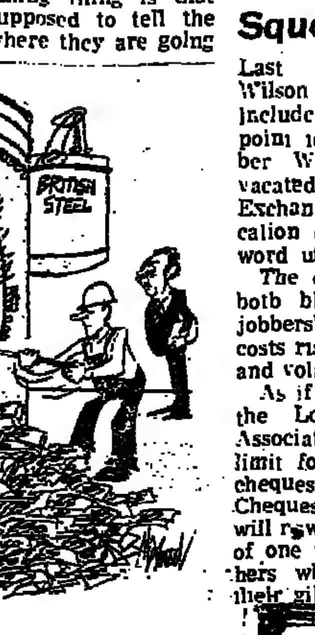
There is a scurrilous tale circulating in the City about the executives of a certain merchant bank who have a set of house rules governing the granting of loans. Funds will not be advanced under any circumstances, I am told:

If the applicant is an Andorran:

If the applicant offers security without being asked for it, or

If the applicant has been recommended by the bank's directors.

Squeezed



Last week's much-dissected Wilson Committee report included a terse, sad counterpoint to the complaints of jobber Wedd and Owen which vacated its pitch in the Stock Exchange the day before publication of Sir Harold's 500,000-word offering.

The committee and the firm both blamed the thinning of jobbers' ranks on dear money, costs rising faster than inflation and volatility in the markets.

As if to make matters worse, the London Clearing Banks Association has raised the lower limit for "town" clearance of cheques from £5,000 to £10,000. Cheques for less than £10,000 will now take three days instead of one to clear, and small jobbers who still have to settle their bills within 24 hours are finding themselves pinched in yet another portion of their body financial.

Rowe's raiders

I am beginning to develop a feeling verging on admiration for stockbrokers Rowe and Pitman, the City's own commandos. The firm has commanded seven out of eight of the latest "dawn raids" in the share market (including the famous assault on Consolidated Gold Fields).

Most of the raids, with an aggregate value of around £140m, have been undertaken before half the City has had a chance to pour its first morning coffee. Not all the operations end as neatly as they begin, though. Last week, for example, following a well-executed lunge in April for 29.5 per cent of Revertex by rubber group Yule Catto, this campaign seemed destined for a less-than-tidy denouement as Revertex's fought back.

"People have likened us to the SAS," partner Nick Verey tells me, "but we are not mercenaries." Since the recent early-morning strike on behalf of Singapore's Times Publishing for 27 per cent of the shares of Marshall Cavendish, Verey says he has been approached by two or three companies. "They just come in off the street and ask us if we would please do a raid for them. But we tell them we work only for established clients."

Seasoned campaigner that he is, Verey still admits to a surge of adrenalin when an assault is launched. "Only two or three of us know about it until the actual day," he says, "and then we give our team of 25 an early morning briefing. As far as we are concerned," he sighs, "it's the ultimate fulfilment of a stockbroker — assuming it all works as planned."

Flour power

All but one of Fred the Flour-grader's men have now taken their bow, leaving Spillers almost entirely in the hands of the board of its captor, Dalgety. In good time for the forthcoming fusion of the two groups, vice-chairman Ian Paul and divisional directors Derrick Hornby and Norman Rigby dusted off their bowlers and resigned at the weekend. Only finance man William Shaw remains.

Confessional

Unaccustomed as I am to taking confession from captains of industry, I was surprised to have John Reeve, managing director of Costain, admit to me that last week he parked his car "improperly" while he lunched at the Savoy. Returning to the scene of the crime, he discovered he had been issued with a most unusual ticket.

It was a note from Sidney White, verger at the Queen's Chapel of the Savoy, asking politely: "Please do not park against this chapel wall." Verger White tells me he forgives the trespasses of three or four "improper" parkers a week. Not particularly worried about obstructions in the path of the faithful, he says he is more concerned about the not-so-righteous who can use Savoy diners' cards to climb up to the chapel windows.

Dashed hopes

A colleague travelling by train from London to Bournemouth at the weekend reports much scowling from his compartment where the peace was wrecked by a small boy tearing up newspapers, wiping his feet on fellow-travellers' clothes and singing "Maybe it's because I'm a Londoner."

"He's six today, and I'm taking him to Poole," announced his doting mum.

"I wish you luck, Madam," said a man in the corner. "But I fear he will probably find his way back."

Observer

Chancellor Schmidt starts a visit to Moscow today: By JONATHAN CARR in Bonn

Untimely German-American discords

HERR HELMUT SCHMIDT, the West German Chancellor, arrives in Moscow today on one of the most difficult missions of his career. His talks with the Soviet leader, Mr. Leonid Brezhnev, on Afghanistan, Iran, East-West arms control and bilateral relations would be hard enough even against a background of harmony in Bonn's relations with the U.S. But in spite of soothing statements from both sides at the Venice summit, this harmony does not really exist. On the contrary, it would be more true to speak of a crisis of Bonn's confidence in U.S. leadership—a crisis of which the controversy surrounding President Jimmy Carter's recent letter to Herr Schmidt is only the latest example.

How has this crisis come about? It would be wrong to suggest that the West German population has become anti-American. True, there is a new generation which hardly knew at first hand the era of Marshall Aid and the Berlin Airlift. But a recent opinion poll found that 53 per cent of West Germans believe the U.S. to be their country's best friend—followed a very long way behind, by 14 per cent who chose France.

It would also be incorrect simply to lay the blame on poor personal relations between Herr Schmidt and Mr. Carter. Their understanding is said to have improved over the years—and indeed every time they have a chance to meet they do seem to sort out their problems. But shortly afterwards new misunderstandings emerge.

Part of the answer, in the view of senior West German officials, lies in the almost inevitable friction between a U.S. which has seen its relative weight in the world decline, and a Europe which is struggling to find a political role to match its economic power. This is a problem for all West Europeans—but particularly so for West Germany, the strongest military and economic partner of the U.S., but also the one with most to gain from detente with the East, and most to lose if detente goes wrong.

This is not a new problem. The friction goes back at least to the era of Presidents Ford and Nixon and to Dr. Henry Kissinger's ill-fated "Year of Europe." But many in the Bonn Government now look back to that time almost with nostalgia. Bluntly, by comparison current U.S. foreign policy often seems to the Germans to lack a long-term strategy, to be self-contradictory — in a word, amateurish, with more than a whiff of anti-German feeling.

These are strong criticisms, not directed at the State Department of Mr. Cyrus Vance or his successor, Mr. Edmund Muskie. On the contrary, the Germans would dearly like to see the foreign policy "professionals" exerting more influence in Washington. The real objects of Bonn's irritation (and worse) are the White House staff and, specifically, the national security affairs adviser, Mr. Zbigniew Brzezinski.

The reasons for German displeasure are different in each case. The so-called "Georgia Mafia" at the White House is felt in Bonn to have had little experience of foreign policy and to be interested in it mainly as it affects the U.S. election campaign. In contrast, Mr. Brzezinski is seen as a brilliant and quixotic figure with a talent for short-term analysis of foreign policy problems, a persuasive tongue—and a pernicious influence on Mr. Carter. It would be easy to imagine that the Germans have become unreasonably obsessed with the person of Mr. Brzezinski since his reported remark years ago that West Germany might be steering towards "self-finlandisation."


Helmut Schmidt (left) and Zbigniew Brzezinski: misunderstandings abound

The comment particularly upset Herr Schmidt who saw it as an insult to Finland as well as Germany. But there is some independent evidence to support the German view. One senior U.S. diplomat in Germany privately admitted that he would not return to the State Department because of Mr. Brzezinski's influence. He felt he might be able to influence U.S. policy making once a month perhaps, and then by preventing something bad happening rather than by helping push something positive through.

It would no doubt be wrong to lay the blame on Mr. Brzezinski for all the twists and turns in U.S. foreign policy as perceived from Bonn over the past few months. The Germans heard from several senior U.S. sources that the Americans did not plan to boycott the Olympics—shortly before President Carter announced his boycott decision. It is not clear that Mr. Brzezinski was responsible for the abrupt changes of line on Iran sanctions: the Germans were informed that food and medical supplies were not to be included in the ban, then told that they were to be—and shortly afterwards again that they were not. But the latest affair of the Carter letter to Herr Schmidt is seen in Bonn as a classic example of what happens when the foreign policy professionals are either ignored or circumvented—and Government officials leave no doubt they feel that Mr. Brzezinski was at the back of it.

Herr Schmidt was astonished to read a reference in the letter to Press reports about the Chancellor's proposals for a freeze on the deployment of intermediate range nuclear missiles. Why should the President mention Press reports when full details about Herr Schmidt's public comments and private analysis on the issue had been sent to Mr. Carter via the U.S. Embassy in Bonn? Did Mr. Carter not receive these details, or did he receive them but not read them? Even while the U.S. Ambassador in Bonn, Mr. Walter Stoessel, was publicly praising relations between the two countries, a West German magazine was carrying first word of the Carter letter, derived from a leak in Washington—which it described as "rough" in tone.

In Venice after some very plain talking from Herr Schmidt, Mr Carter agreed that he felt the Press reports to which he referred had been wrong. But the incident not only confirmed Bonn's fears about machinations in Washington, it also underlined a communications problem which may still be unresolved.

As long ago as 1969 Herr Schmidt produced a book underlining key principles of East-West military balance (at the lowest possible level of force)—including the need for a West German political, economic and military contribution to safeguarding the NATO alliance. He notes that he was the first western statesman to draw public attention to the threat posed by the Soviet build-up of intermediate range missiles—an increase, he said, which exceeded Moscow's legitimate defence needs and to which the alliance had to respond. Bonn also worked hard behind the scenes to bring into being a key NATO decision last December. This warned the Soviet Union that the West would produce intermediate range missiles of its own, but simultaneously offered negotiations on the limitation of weapons.

Quite apart from that, Bonn points to its support for the Iran and Olympic boycotts, its increase of defence spending by 3 per cent in real terms as demanded by NATO, and its boost in aid to Turkey as a contribution to propping up the south-east flank of NATO. Are these the actions, it is asked, of a country and a leader gradually drifting into the Eastern camp?

However, it must be added that Herr Schmidt himself contributed to recent confusion about his position on the missiles issue. In a public speech for which no advance text was available, he suggested that both sides—East and West—should not deploy the missiles. This caused widespread astonishment since the West does not yet have such weapons and will only be in a position to deploy them in 1983.

What could the Chancellor have meant? Was it an attempt to weaken the NATO position? The answer is that Herr Schmidt was appealing to the Soviet Union at least to stop deploying its missiles even if it continued to produce them—as a first step towards helping off the ground the East-West negotiations urged by NATO. The appeal was made in terms which it was felt might help Moscow to accept without loss of face—although in retrospect Herr Schmidt could hardly admit this publicly.

The Soviet Union has not taken up the suggestion and Herr Schmidt will be repeating it to Mr. Brezhnev this week. But the press controversy over what Herr Schmidt might or might not have meant has gone on for weeks. It has been taken up the political opposition—and it was evidently behind Mr. Carter's letter.

A broader complaint to be heard from Washington is that while Herr Schmidt himself may be dedicated to the western alliance, the left wing of his Social Democrat Party (SPD) is not. The argument is that Germany remains divided, that Berlin is 100 miles behind the East German border, that the Soviet Union is a growing market for German goods and has raw materials and energy to offer in return. Might not this SPD left wing gradually force the Government to steer a course amenable to Moscow in return for an offer of German reunification?

This analysis fails to take account of political realities in West Germany. One is that the Bonn Government is a Liberal-Social Democrat coalition which has produced a contribution to the western alliance over the last decade widely seen as second to none in Europe (despite the alleged influence of the left wing). If the coalition were to lose the general election next October, its successor would almost certainly be a Government of the Centre-Right. An SPD majority alone is highly unlikely. All parties are committed to German reunification by the constitution, all want to see more trade with (though not excessive dependence on) the East, all recognise that an effective western alliance is the only basis on which these aims can be achieved.

It is against this background that Herr Schmidt will be urging the Soviet Union in Moscow to negotiate on the missiles issue, to withdraw its troops from Afghanistan, and to help bring an end to the U.S. hostages drama in Iran. He will also be stressing that the kind of economic co-operation foreseen in a new long-term agreement between Moscow and Bonn can only be carried through if East-West tension lessens and an operation of the Afghanistan kind it not repeated.

All that said, it would be wrong to turn a blind eye to the disenchantment with U.S. leadership—in the SPD, and elsewhere. There is a clear danger of more misunderstandings and ill-feeling. Herr Schmidt and his Government will do all they can to fight against this—but they do need more help from Washington.

Letters to the Editor

Inflation accounting

From Mr. D. Poore

Sir,—Your readers should be grateful to Professor Myddelton for making it clear (June 26) that current cost accounting, which is to be made compulsory for public companies next year, has little to do with accounting for inflation. To account for inflation alone is a relatively easy matter and is akin to preparing accounts in a new currency. It requires only a prescribed rate of exchange between the values of the currency used for the accounts under preparation and the value of that used in preceding accounts. The figure so prescribed by the authorities would not need to be precisely accurate in absolute terms at any one time but would serve as a standard yardstick to be used by all British companies. In effect, the change would require only an adjustment of costs, of both fixed and current assets, to the higher number represented by the lower value of the currency now in use. All existing practices would then apply.

Current cost accounting introduces a fundamentally new concept of value to the business in place of value in more general terms. This concept is, no doubt, wholly appropriate to a fully planned Eastern European-type economy but appears not readily to provide the flexibility required to plan for the risks of a free market. No harm may be done provided readers comprehend that accounts prepared under it do not convey the same information as under the old system. Particularly in the engineering industry, the value to the business of any given asset (hitherto judged in an overall sense by the profit and loss account) may be significantly higher than its value as expressed in balance sheets today. Banks and other lenders will no doubt beware.

Dennis Poore.
1, Love Lane, EC2.

Potato futures market

From the Chairman, NFU Potatoes Committee.

Sir,—I was interested to see the article (June 12) by John Edwards on the potato futures market. Having been involved with the Market as a member of the Formation Committee and now as a member of the Management Committee, I thought that on the whole the article was a very fair summary of the views we have been discussing over the past two years. There are, however, a few points in the article which call for comment.

Mr. Edwards says that the Potato Marketing Board "has spent a great deal of money seeking, somewhat unsuccessfully, to stabilise prices." I do not agree with this qualification and I cannot see on what grounds he makes it. Market support by the PMB in years of surplus has kept a floor in the market and given British producers and housewives a degree of stability unknown on the Continent. Had the board not been successful in stabilising prices it would not have survived. If Mr. Edwards is alluding to the shortage years 1975 and 1976, when, as he rightly points out, prices soared, he cannot base his qualification on that; nothing short of rationing would have kept prices stable in those years, and the board exists to cope with surpluses, not shortages. Any attempt to control prices artificially immediately creates a "black market."

"The present potato marketing scheme will continue only for as long as the EEC Commision is unable to finalise a common potato regime." Even if this were true, I would deplore the emphasis, which implies that the scheme only exists on sufferance and its days are numbered. The Commission is nowhere near finalising a comon potato regime and its past performance in this regard does not give me much confidence in its ability to achieve an effective regime for maincrop potatoes in the foreseeable future. The present Minister of Agriculture has said that any regime must include adequate provision for supporting our maincrop potato market in times of heavy surplus, and that the PMB should continue in existence under any regime and play a central role in the support arrangements.

"Growers, who probably take the biggest gamble of all . . ." I think this point should be stressed. The cost of growing potatoes rises every year—for the coming season it is estimated at around £60 per tonne on average—and growers have to seek their returns from the market. As the National Farmers' Union representative on the management committee, my main concern will indeed be the growers' interests, but we must all ensure that the futures market works satisfactorily.

The decision to specify delivery in paper bags. Criticism of this decision ignores the fact that delivery from store has to be within 72 hours, so the doubt cast on the practicality of paper bags is erroneous.

C. J. Harrisson,
NFU Potatoes Committee,
Agriculture House,
Knightsbridge, SW1.

Hong Kong battle

From Mr. G. Bonwick

Sir,—We have read with interest the story (June 25) of Sir Yue-Kong Pao's battle over the Hongkong and Kowloon Wharf and Godown Company. While, in general, it was an excellent account of the activities, in shipping and otherwise, of this extraordinary man, it surprised us to read that his defensive action to forestall a move by Hongkong Land Company to gain a 49 per cent holding in Wharf (from previously 20 per cent) had been criticised by the Hongkong Securities Commission and that Sir Yue-Kong's refusal to make a full bid should apparently have caused anger, bitterness and recrimination.

Hongkong Land mentioned in its proposal document, issued on June 20, that an acquisition by it "would not involve any change of control" and its executive director was quoted as saying that therefore no take-over bid for all the outstanding shares would be made if Hongkong Land were successful in acquiring 49 per cent of Wharf. We are informed that the Securities Commission did not react to these statements in any way whatsoever and that it was not until after Sir Yue-Kong took action on June 23 that the Commission seemed to awake and be able to state that his 49 per cent stake constituted "control." It seems curious that the Commission takes a passive stance when a 20 per cent shareholder says he will not have control, even with 49 per cent and a common chairman, but protests loudly and alleges "change of control" when the largest single shareholder defends his position by increasing his stake.

Could it be that the Hongkong Securities Commission only likes to penalise the winners? Or could it be that the entrenched European interests in Hong Kong have a better lobby? To an interested and impartial observer the double standards applied are puzzling. Why people should be bitter about Sir Yue-Kong's response is difficult to understand. It is also difficult to understand why Hongkong Land gets applauded for circumspectly selling part of its stake in Wharf to Sir Yue-Kong at a huge profit while still not having withdrawn its invitation to other Wharf shareholders to sell to them at a much lower price.

G. J. Bonwick,
Mercantile Consultants and Investments.
17, Chestnut Avenue,
Wokingham, Berks.

Placing money with councils

From the Chairman
Robson Cotterell

Sir,—Please permit me to reply to the comments by Mr. A. F. Twist (June 19) and Councillor David Whalley (June 21) arising from your article (June 17)—"Brokers 'could hit' overspending councils." Both have misread me.

I proposed that not only brokers, but the whole financial community (i.e. building societies, pension funds, companies etc. who collectively lend vast sums every day to councils for varying periods of time) by refusing to lend to overspending councils, could possibly cause them to "adjust their gross habits to their nett income," because if they don't a situation could arise whereby they will have difficulty in meeting their repayment commitments. As an associated member of his firm, Mr. Twist is ultimately only responsible to the partners thereof. As your article correctly stated, my company is a limited corporate member of the Stock Exchange and as such has always to maintain a minimum liquidity margin of £200,000 in cash or near cash (as opposed to £25,000 if in our case we were only a partnership). It therefore follows that as we have pension funds as shareholders, the directors are ultimately responsible to them and their members (trade union and otherwise) and if we loaned company money to a local authority which was unable to meet its repayment commitment, it could be that our liquidity margin would fall below the required £200,000, in which event the company would be automatically put out of business under Stock Exchange rules even though it was still capable of meeting all its financial obligations.

I look upon the whole problem in an economic rather than political sense. After all, some Conservative councils are by no means blameless. When the last Labour Government pushed through savage cuts in public spending in late 1976 arising from sheer economic necessity, and the conditions attached to the huge IMF Loan—did Councillor Whalley then protest that the IMF as the lender had no right to take a view as to whether Britain had been acting "responsibly" in the conduct of its economic and financial affairs?

The facts of life have to be faced in the same way now, as Manchester's Labour controlled council in particular appears to have belatedly discovered. On top of the enormous increase in rates should be added the fact that in most areas, water rates are now no longer included in the general rates so unless something is done to reduce the rate of increase, many more industrial jobs will be lost. In other words, producers of goods (export and import substitution) and revenue (taxes) to Government, and will have been sacrificed in order in many cases to maintain overmanning in economically non-productive areas.

In my view the moment of truth has arrived, not least for those councils (Conservative and Labour) who have or will not comply with Government policy. If they find it increasingly difficult to borrow money from the private sector, they are faced with the facts that, they can only borrow on a short term basis from the Public Works Loan Board and sanctions including a moratorium on capital projects and reduced Government grants next year. So what do they do, put up the rates again adding another twist to the vicious spiral of more unemployment and bankruptcies?

Manchester Council is reported as discussing ways of averting a 65 per cent rate increase next April because of overspending. The leader of the Labour controlled council is reported as saying "the ratepayers would tear me to pieces if this path is adopted." Such a gory spectacle could surely be avoided if he and his lads are left in no doubt that unless his council mends its profligate ways at once, Manchester's borrowing ability could become questionable — however advantageous the rate of interest offered.

In the present circumstances I therefore believe that it behoves all those who have Britain's well-being at heart to look outside the narrow confines of politics and self-interest and to back the Government's policies in respect of spending cuts.

Why should a comparatively few Councils be allowed to prejudice those policies which if successful could be of benefit to everyone—contributing as they would do to reduced increases in the cost of living, rates and eventually the ultimate goal of a basic rate of income tax of only 25 per cent?

Victor C. Robson.
Bourne Chambers,
St. Peters Road,
Bournemouth.

Today's Events

GENERAL

U.K.: National Union of Railwaymen annual meeting opens in Guernsey (until July 12).

General Medical Council Disciplinary Committee meets.

Sir Ralph Richardson opens exhibition of MP's paintings and sculptures, Houses of Parliament.

Methodist Church Conference discusses Church's report on sexuality, Sheffield.

Queen and Duke of Edinburgh arrive in Edinburgh for start of one week visit to Scotland.

Sir Peter Gadsden, Lord Mayor of London, attends Girdlers' Company dinner, Girdlers' Hall, Basinghall Street, E.C.2.

Overseas: Chancellor Helmut Schmidt of West Germany and his Foreign Minister, Herr Hans-Dietrich, begin two-day visit to Moscow.

EEC Environment Ministers two-day conference opens, Luxembourg.

EEC-Turkey Association meeting.

Pope John Paul II leaves for Brazil.

PARLIAMENTARY BUSINESS

House of Commons: Civil Aviation Bill, remaining stages.

House of Lords: New Towns Bill (Money), third reading. Housing Bill, committee stage. Commons message on Transport Bill. Gas Bill, third reading.

Select Committees: Energy. Subject: Isle of Grain Power Station. Witnesses: Thermal Insulation Contractors Association (Room 8, 4.15 pm). Treasury and Civil Service. Subject: Monetary Policy. Witness: Professor Patrick Minford (Room 15, 4.30 pm). Public Accounts. Subject: Interest Relief Grants. Witnesses: Department of Energy (Room 16, 4.45 pm).

COMPANY RESULTS

Final dividends: British Benzol Carbonising. Kleen-E-Zee Holdings. Petbow Holdings. Ropner Holdings. St. Georges Laundry (Worcester). United Kingdom Property. Walker and Staff Holdings.

COMPANY MEETINGS

See Week's Financial Diary.

CITY OF LONDON LUNCHTIME MUSIC

St. Lawrence Jewry next Guildhall, Gresham Street, EC2, piano recital—Paul Ruberts, 1 pm. St. Michael's Cornhill, organ recital—Jonathan Rennert, 1 pm.

Strikes hold back Norcros to £19m

PRE-TAX PROFITS of Norcros, the industrial group, amounted to £19.18m for the year to March 31, 1980, against a reported £17.17m. Had the results of H. and R. Johnson-Richards Tiles, acquired in March, 1979, been included for 1978-79, the comparative pre-tax surplus would have been £20.07m.

Sales reached £300.34m, against £212.57m (£274.89m including J-R). Mr. John Sheffield, chairman, says the adjustments are given so that a better comparison can be made between the two results.

The transport, engineering and steel strikes had a considerable effect on the group's prosperity in 1979-80, and he estimates the disruptions reduced profits before tax by some £3m.

Profits were struck after interest up from £3.8m to £5.47m, but before unchanged tax of £8.33m.

The materials handling division incurred losses of £3.22m, compared with profits of £1.74m. However, intense sales activity in the UK and abroad resulted in the winning of substantial orders in the last month of the year, creating a base load which will provide opportunity for a return to profitable trading during the current period, the chairman adds.

The contribution from the construction side improved from £3.28m to £3.7m, and progress is expected to be maintained. The consumer division turned round from losses of £0.66m to profits of £1.25m, reflecting the Johnson Tiles acquisition, and is well placed to improve its performance.

The print and packaging side raised profits to £5.08m (£4.75m), and real growth is anticipated in the current year.

Overseas contribution expanded to £6.66m (£4.23m), again helped by Johnson-Richards. All companies on this side project better results for 1980-81.

The net total dividend is increased by 12 per cent to 5.52p (4.93p), with a final of 3.56p payable on August 2. Earnings per 25p share are shown at 12.14p, against 13.99p or 12.22p including Johnson-Richards.

Profits before tax on a current cost basis were reduced to £11.67m, against £12.98m (£13.77m including J-R). Stated earnings per share would have been 2.4p, compared with 6.4p (4.1p).

The chairman says capital expenditure in the year amounted to £13.56m, but group borrowing at £34.87m was only 49.3 per cent of shareholders' funds. The ratio of current assets to current liabilities was 1.6.

The group therefore enters the current year in a strong financial position enabling it to plan further capital spending of some £24m, he adds.

Lex, Back Page

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Finals: British Benzol Carbonising, Louis C. Edwards (Manchester), Kleen-E-Ze, Pelbow, Ropner Holdings, St George's Laundry (Worcester), United Kingdom Property, Walker and Staff.

FUTURE DATES

Interims—

Associated Newspapers	July 16
Birmid Qualcast	July 16
Eurotherm International	July 22
M and G Dual Trust	July 9

Finals—

C H Industrials	July 3
Colmore Investments	†July 7
Fuller Smith and Turner	July 3
Russel Brothers (Paddington)	July 3

† Amended.

GEI warns of difficult year

"WE WILL do better than most but it is going to be difficult," Mr. Thomas Kenny, chairman of GEI International, says, summing up the group's prospects for the current year.

The group has plenty of cash "but we must have solvent customers and suppliers. Our management and controls are of the best but we cannot prosper alone," Mr. Kenny adds.

The group is earning profits but not at the rate of last year while sales are outstripping orders. The downturn started in April this year and there is no sign of an early change, Mr. Kenny states.

GEI is a specialist engineering group supplying products to a wide range of industries. Pre-tax profits for the year to March 31, 1980, were up by 10.7 per cent to £6.82m on turnover of £65m against £51.34m.

The figures include seven months results of Sanderson Kayser, Sheffield-based makers of special steels and engineering products, acquired in September 1979.

Sanderson Kayser operates in Sheffield, South Africa, Canada and Australia. There is remedial work to be done in Sheffield with particular emphasis on reducing production costs, the chairman says.

The cost of the acquisition was £4.99m and the excess of S.K.'s assets over the purchase price—£3.7m—has been transferred to reserves.

The value of goods directly exported by the group from the UK, including goods sold to overseas subsidiaries amounted to £8.63m (£6.42m). These exports went to Africa, 7 per cent; Americas, 19 per cent; Asia, 5 per cent; Australasia, 6 per cent; Europe, 61 per cent; and Middle East, 2 per cent.

The exports do not include goods sold to UK customers incorporated into products subsequently exported which were substantial.

Meeting, Savoy Hotel, WC, July 23 at noon.

Companies disturbed by underwriting loss

BY OUR INSURANCE CORRESPONDENT

LAST WEEK the British Insurance Association (BIA) held its annual review of the previous year's trading—and even if the late June monsoon had not been doing its worst, the occasion would have been a sorry one.

The message that came across clearly was: non-life insurance is too cheap, and the underwriting profit has been driven out of almost all classes: last year BIA member companies lost £215.7m, on world-wide premium income of about £7bn.

Investment income on non-life funds totalled £980m—and since much of this came from overseas, if it had not been for continuing high exchange rate of sterling, the figure would clearly have exceeded £1bn. This investment income was more than enough to offset the underwriting loss and leave a surplus of £764m.

So why the gloom? First, the *surplus at the end of 1978 had* been £790m so last year's overall result showed a downturn. Second, the causes of the underwriting loss, of high interest rates, and the high exchange rate, are still with us—and while hopes are being expressed of an underwriting improvement in 1980, it seems improbable that the BIA companies will break even on underwriting by the year-end: this time next year the companies could be reporting about £100m of possible underwriting loss in 1980, perhaps more.

The surplus from investment income less underwriting loss has to bear a heavy load; it has to pay the companies' taxes, meet shareholders' dividends, and if possible sustain existing solvency margins against premium growth which is largely inflationary.

Without underwriting profit, and with reduced overall surplus, some companies will have to face reduced solvency margins as the months go by. At present margins *are high, many* between 50 and 60 per cent, but these margins depend on the underlying value of the companies' assets—and the companies look back with anxiety to 1974-75 when the values of stocks and shares were drastically reduced, and in a matter of weeks solvency margins were, albeit temporarily, halved. So current high margins have to be maintained, wherever possible, against the risk of a similar reduction in the future.

Thus investment income alone is insufficient, and underwriting profit is of the essence. Mr. Geoffrey Bowler, the retiring BIA chairman, nailed his colours firmly to the underwriting mast and declared: "Our primary job is to provide insurance cover and we need to make underwriting profit. Our investment activities are ancillary to that function, not the reason for our existence."

Asked to quantify this desirable profit Mr. Bowler, echoing previous BIA chairmen, said that a 5 per cent 'non-life underwriting profit would be fine; but he acknowledged that long before the achievement of anything like the 8 point improvement required on the back of 1979's 3 per cent loss, competition would have increased far beyond its present level, which has largely predicated the present level of loss.

The problem the British insurance companies have to solve is how to climb out of the pit of non-life underwriting losses, while there are far too many competitors abroad—and some at home—ready to write, not for underwriting profit, but entirely for cash flow towards resultant investment income.

A solution is not impossible, but if anyone can come up with a sound satisfactory answer he should earn the profound gratitude of the 325 BIA member-companies.

...tt ...es ...m ...cing

...is proposing ...£770,000 by ...ordinary shares ...stock exchange ...The shares carry a 10p ...and are being placed ...

The group is also planning to ...its 15 per cent convertible ...secured loan stock, totalling ...000. Placing of the ordinary shares will be through Singer and Friedlander.

Tebbitt's chairman is Mr. John Bentley, who is transforming the company from a tannery into a property group through acquisition. Tebbitt has agreed to buy Singgate Properties and two freehold properties in central London, conditional upon Tebbitt's obtaining a listing.

Tebbitt will pay £800,000 for Singgate if the company meets this year's profits forecast of £325,000. Singgate's property portfolio has been independently valued at £569,890. The central London properties are valued at £990,000. This gives the group's balance sheet total net assets of £2.3m, adjusted for the acquisitions.

No profit forecast has been made by Tebbitt, though it says that "operating losses in all divisions have been finally eliminated." The company reiterates its intention of strengthening the group through acquisition and refers to the possible sale of a 12.9 per cent stake in the enlarged Tebbitt group to Mr. Bentley.

These shares are currently ...by John Baker (Insula...

Robertson Foods seeks cut in borrowings

IT IS important that the borrowing requirements of Robertson Foods are reduced during the coming year and despite continued inflation, the steps are now being taken, Mr. R. Christopher Robertson, chairman, says in his annual report.

Contracts have been exchanged for the sale of Quantock Preserving Company and Dorset Preserving Company together with the drinks division of James Robertson Preserve Manufacturers for a nominal consideration.

Completion is expected to take place on July 31 and although the effect of this sale on net tangible assets and profits is minimal, borrowings will be reduced by some £4m, the chairman says.

Other contributions to a marked improvement to cash flow during the current year are expected to come from tighter controls in the operating companies coupled with improved profitability due to the continued growth of Viota Foods and Unican Foods.

Better profitability is also expected from the overseas operations, the reorganisation of James Robertson Preserve Manufacturers and the cessation of losses in the export company, James Robertson International.

New management has been brought into this company and at least a break-even position is expected this year.

For the year ended March 31, 1980, pre-tax profits improved from £2.04m to £2.55m on external sales of £84.88m against £80.14m. The balance sheet shows bank overdrafts of £8.5m (£5.92m).

Meeting, Beckenham, Kent, July 22 at 10.30 am.

Albany Life introduces new fund

A new fund, designed to take advantage of the removal of exchange controls has been launched by Albany Life Assurance Company, the UK life company subsidiary of American General Insurance group.

The portfolio of the International Fixed-Interest Fund will take advantage of the profitable opportunities in world fixed-interest markets, and will consist principally of Eurobonds, foreign cash deposits and floating rate securities. It will be managed by Albany's investment managers, Warburg Investment Management.

Downturn at Pitman

Attributable after-tax profits of Pitman Ltd., publisher, printer and college proprietor, for the year to March 31, 1980, were £0.6m, against £1.04m, after an extraordinary credit of £604,000 compared with £216,000 debit.

At half-way taxable profits were down to £0.52m, against £1.14m, and directors anticipated a lower outcome for the year.

Tax, increased from £364,000 to £503,000 for the 12 months.

Turnover was slightly higher at £27.03m, against £26.31m.

Total dividend is 2.5p (2.6p). The company has close status.

Concrete Products improve

Taxable profit of Concrete Products of Ireland, a Marley subsidiary, improved to IR £1.11m for the six months to March 31, 1980, compared with £0.92m in the same period of 1978-79 when some group trading was affected by industrial action.

Economic conditions are adversely affecting trading in the second six months of the current year, the directors state.

First-half sales increased from £15.18m to £19.58m, while interest payable was up to £447,000 (£197,000). After tax of £500,000 (£413,000) net profits climbed from £504,000 to £612,000.

Earnings per 25p share were 0.9p higher at 5.06p and the interim dividend is kept at 1p net—last year's total payment was 5.5p on pre-tax profits of £3.26m.

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Beijerinvest Aktiebolag (Free ordinary shares Series B) (Section: Industrials);

International Mining Corporation (Mines—Australian).

RESULTS AND ACCOUNTS IN BRIEF

STIRLING INDUSTRIES (light engineering subsidiary of Cayzer Trust Company)—Results for year to March 31, 1980 already known. Shareholders' funds, £4.04m (£3.49m), bank overdraft £194,042 (£38,915), cash in hand £1,596 (£2,039), deposit with finance company £200,000 (nil). Meeting, London EC, July 22 at 2.30 pm.

NORMAND ELECTRICAL—Results for year to March 1, 1980, reported May 20. Shareholders' funds £6.24m (£5.55m). Loans £1.25m (£0.57m). Cash and bank balances £84,000 (£43,000). Overdraft £459,000 (£1.2m). *Meeting, Kensington Palace Hotel, De Vere Gardens, W. July 22, 11.45 am.*

COUNTRY GENTLEMEN'S ASSOCIATION—For year to March 31, 1980, turnover £2.47m (£2.39m). Profit £10,579 (£3,761) after tax credit £30,542 (£25,135). Dividend 20p (17.92p) net. Board says there are signs that measures taken are beginning to restore company to proper level of profitability.

PHILIP HILL INVESTMENT TRUST—Results for year to March 31, 1980, already announced. Investments listed at mid-market value £122.65m (£146.29m). Quoted UK investments £97.6m (£120.63m). Overseas £20.17m (£23.15m). Meeting, 1 Brewer's Green, Buckingham Gate, SW, July 28, 2.30 pm.

CONTROL SECURITIES—Results for year to March 31, 1980 and scrip issue already reported. Shareholders' funds, £2.61m (£1.6m). Investment properties, £1.21m (£1.35m). Secured bank loans £2.34m (£1.21m). Lebelund AG owns 44.6 per cent and Technibau AG owns 7.91 per cent of issued share capital. Meeting, Connaught Rooms, WC, July 22 at noon.

HAMBROS LIMITED (merchant banking and insurance group)—Results for year to March 31, 1980 already known. Attributable profits of £12.1m (£11.9m) reduced to £3m (£7.6m) on CCA basis. Shareholders' funds £82.93m (£76.32m). Current, deposit and other accounts including inner reserves and tax on profits £1.25bn (£1.12bn), current assets £755.46m (£693.65m) including balances with bankers and at call £160.84m (£156.42m) and term loans to banks and local authorities £339.71m (£454.24m). Customers' loans, *advances and other accounts £540.43m* (£470.42m), acceptances £280.64m (£274.57m). Meeting, July 22 at noon.

SPAIN

1980 High	1980 Low		Price %
229	202	Banco Bilbao	
259	217	Banco Central	
230	203	Banco Exterior	
228	230	Banco Hispano	
137	122	Banco Ind. Cat.	
175	141	Banco Madrid	
282	237	Banco Santander	
155	142	Banco Urquijo	
238	209	Banco Vizcaya	
279	200	Banco Zaragoza	
106	75	Dragados	
82	53	Espanola Zinc	
66.0	53.2	Fecsa	
40	34	Gal. Preciados	
71.7	58.7	Hidrola	
62.2	57.5	Iberduero	
122	100.7	Petroleos	
32	29	Petroliber	
115	107	Sefensa	
82	31.3	Telefonica	
77.5	55.2	Union Elect	

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INTERNATIONAL BONDS

BY FRANCIS GHILES

Two ways to beat heartburn

THE DOLLAR sector of the Eurobond market continues to display all the symptoms of massive indigestion: virtually all the new issues announced last week fell to heavy discounts in pre-market trading while issues reaching the secondary market fared no better.

This malady continues despite the sharp reduction in the volume of new issues: only $320m worth of new bonds were announced last week, less than half the amount of the week before. But as Citicorp's weekly Investment Bulletin points out, the supply problem is not confined to the Eurobond market.

The U.S. domestic market has witnessed a continuing large volume of corporate issues and the sustained, heavy financing needs of the U.S. Treasury.

In the dollar Eurobond sector the aggressiveness of the terms offered on new issues has resulted in investors resisting all issues, irrespective of quality or coupon. Thus, last Friday evening the three last fixed interest rate issues announced during the week, a $100m bond for Republic Steel, a $50m bond for Oesterreichische Kontrollbank and a $57.5m bond for city of Montreal, were all quoted in pre-market trading by Ross and Partners (Securities) at discounts of more than two points from an expected issuing price of par.

Two offerings for triple-A rated borrowers, A/S Eksportfinans and Export Development Corporation, tested the 9½ per cent coupon level. When they were announced the week before last, both issues were whistling into the wind but the lead managers did not appear to anticipate how strongly that wind would blow.

The two issues performed very differently in the secondary market. Eksportfinans started trading on Wednesday at 95¼-95¾ and EDC at 98-98¼. By the Friday the gap had narrowed somewhat as Eksportfinans was quoted at 95-95½ while EDC was quoted at 97¼-97¾.

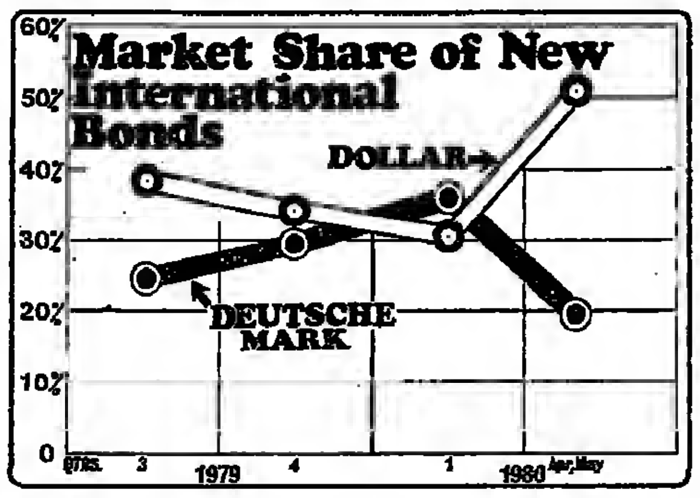
The lead managers chose different techniques of launching the issues into a troubled market: Merrill Lynch and Den Norske Creditbank gave their full allotment to the underwriters while Credit Suisse First Boston chose to give those underwriting the EDC issue only about one-third of the volume of bonds which they had initially underwritten. The difference in performance was thus partly cosmetic: while the sharp fall in the A/S Eksportfinans bond price was there for all to see, it is impossible to know how much of the EDC issue has really been placed in firm hands.

CSFB claimed that between $45m and $60m worth of paper had been placed. But the bank certainly has the possibility to sit on a large volume of bonds for a while. It has the financial muscle to do so and it may have decided to take a gamble on the way interest rates will move. The price of the bonds did slip between Wednesday and Friday but many dealers argue that it is easier to "let an issue which is wrongly priced slip gently down into the market than buy paper out of the gutter."

One irony in this story is that the previous fixed interest bond for A/S Eksportfinans was arranged last December by none other than Credit Suisse First Boston. On that occasion the bond slumped by nearly three points on its first day of trading in the secondary market.

The major event in the Deutsche Mark sector last week was the agreement by the Capital Markets Sub-Committee to a calendar of new D-Mark issues amounting to DM 900m, a figure which could rise to more than DM 1bn if the World Bank and the European Investment Bank decide to float issues as well. This figure, the highest since last January, underlines the recovery of this sector since Easter. A steady flow of buying from abroad continues as investors fight shy away from buying dollar denominated paper.

Yields offered on new D-Mark foreign bond issues are still about 8 per cent but some new issues' managers feel prime borrowers could offer a lower coupon if the steady undertone of the market persists. As it is, there was little trading of seasoned issues last week. Prices reacted hardly at all to the announcement of the large new issue calendar.



CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life	Coupon	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡††SIDOR	50	1984-88	6	6½°	100	Citicorp, Bk. of Montreal Chemical Bk., Commerzbank LBI	6.606°
‡A/S Eksportfinans	75	1987	5	9½	100	Merrill Lynch, Den Norske	9.500
‡§Alusuisse Capital Corp.	80	1993	13	6½	100	CSFB, UBS (Securities)	6.500
‡British Oxygen Fin. NV	50	1990	10	10½	99½	Lazard Bros., SBC	10.834
‡§Blocker Energy Intnl. NV	25	1995	15	8¼	100	CSFB, Rotan Mosle	8.250
Province of Nova Scotia	75	1990	8½	10½	*	McLeod, Young, Weir Intl.	*
Utd. Biscuits Fin. BV	50	1990	9	11	*	Morgan Grenfell	*
Lonrho Intl. Fin. NV	40	1988	8	11½	*	Std. Chartered Merchant	*
†Hapoalim Intl. NV	50	1985	5	5½°	100	NM Rothschild & Sons	5.576°
Republic Steel O'seas Fin. NV	100	1988	8	11½	*	CSFB	*
†Svenska Handelsbanken	30	1987	7	5°	100	Nordic Bank	5.063°
Oesterrich. Kontrbk.	50	1985	5	*	*	Orion Bank	10.00
‡City of Montreal	57.5	1987	7	10¼	100	West LB	10.25
D-MARKS							
‡Mortgage Bank of Denmark (g'teed Denmark)	150	1990	10	8½	100	WestLB	8.500
Iberduero	100	1990	8½	8¾	100	Dresdner Bank	8.750
SWISS FRANCS							
‡Council of Europe	100	1990	—	6	100	Banca del Gottardo	6.000
†Banque Ivorienne de Development Industriel (g'teed Ivory Coast)	20	1990	—	7°	100	Banque Gutzwiller	7.123°
‡World Bank	100	1995	—	5¾	100	SBC	5.875
LUXEMBOURG FRANCS							
Solvay Finance BV	500	1987	7	10½	100½	Banque Gen. du Luxem.	10.697
YEN							
‡Kingdom of Thailand	10bn.	1990	8	9.2	99.90	Nomura Securities	9.428

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ° Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.
Note: Yields are calculated on AIBD basis.

CREDITS

BY PETER MONTAGNON

EDF wins year's lowest spreads

ELECTRICITE de France is raising a $500m, 10-year Eurocredit bearing the lowest margins yet awarded to any borrower on the medium-term market this year.

[illegible] margins have been set [illegible] for the first five [illegible] to 0 45 per cent [illegible]. They compare with [illegible] spreads of ⅜ = ½ at [illegible] paid by other top [illegible] borrowers for [illegible] funds.

[illegible] for the credit [illegible] to Credit Lyonnais, [illegible] last week began to [illegible] management group [illegible] banks willing to underwrite $50m a piece.

The credit is in part a stand-[illegible] and in part designed to consolidate previous borrowings, according to sources at EDF in Paris. This gives the transaction a complicated fee structure, details of which are not being disclosed.

Some bankers feel that the fees may be sufficient to offset the effect of the very fine spreads, but even so the credit's weighted average margin of 0.39 per cent, which takes the repayment schedule into account, demonstrates clearly the degree to which politically secure borrowers in Western Europe are being favoured by international banks.

Figures from the Organisation for Economic Co-operation and Development published last week showed that the average spread paid by its member countries on medium-term borrowings slipped to 0.54 per cent in April and May from 0.56 per cent in the first quarter of 1980. The EDF mandate suggests this trend will continue.

Another country which has been courted by international banks, Ireland, has arranged a $100m, eight-year credit through National Westminster. Funds are being provided by banks in the NatWest group which are not disclosing terms.

The credit is understood, however, to bear a spread of ⅜ for at least part of its life, which underlines Ireland's status as one of the top-rated borrower countries on the Euromarkets. Rather than float any generally syndicated credits this year, Ireland has preferred to arrange separate financing on a bank by bank basis.

Elsewhere, banks involved in the negotiations with Poland for a new jumbo syndicated credit are expected to meet again in London on July 3. It is understood that the starting off amount for any credit that may eventually emerge is likely to be closer to $300m than the $500m originally mooted by the Poles.

Poland is seeking seven-year money at a spread of 1⅛ per cent, but some of the banks involved in the negotiations believe that the margin should be higher. In the last resort, however, the pricing of the transaction is less of an issue in this case. The banks involved already have a substantial exposure in Poland and are effectively committed to lending more; what is important to them above all is greater insight into the country's economic management.

Meanwhile, Poland is also attempting to tap other sources of funds. It has approached German banks for a credit of around DM 1bn. Discussions have only been of a preliminary nature, and the banks' initial reaction has been to seek some form of backing for the credit from the Government in Bonn. Unlike most previous financings for Poland, this credit would not be related to German exports to that country.

Poland is also raising $300m from Austrian banks. This would effectively take the form of advance payment for coal deliveries to Austria. It would thus be guaranteed by the Austrian Government and conditions would not be representative for the market as a whole.

U.S. BONDS

BY STEWART FLEMING

Surge in money supply makes the market pause

THE SPECTACULAR decline in U.S. interest rates over the past few months came to an abrupt halt last week, as investors finally baulked at the task of absorbing billions of dollars of new long-term corporate debt.

Long and short-term interest rates recorded their sharpest rises since the downward trend in rates from this year's historic high began during the second quarter.

Some of the steepest price declines in the market last week came on Friday, coinciding with the Federal Reserve Board's report of a sharp $3.5bn rise in the U.S. money supply in the banking week ended June 18. By the end of the afternoon the Treasury's 10 per cent bonds of 2,010 were quoted at 99.30/32nds (a fall of just over five points on the week), where they were yielding just over 10 per cent once again.

The jump in the money supply, the first significant surge during a year which hitherto had seen the money supply declining, seems certain to give the market another reason to pause. All the qualifications concerning the unreliability of seasonally adjusted monetary data and the significance of one week's figures will no doubt be borne in mind. Nevertheless, the increase, if it is not reversed, is large enough to bring the money supply on its M1-B measure into shouting distance of the central bank's 4 per cent annual growth target.

It thus raises further doubts about whether or not the Fed will again ease its monetary policy at the July 9 Open Market Committee meeting, something investors expecting further interest rate declines have been hoping for.

If this prop for the market has indeed been removed at a time when the dollar is relatively weak, the gold price climbing and a further heavy volume of new bond issues scheduled for July, then last week's upward correction in rates is unlikely to be quickly reversed.

Some economists are already predicting a further move upward in rates in the third quarter, partly on the ground that the worst of the economic decline is already over and moderate credit demand could reappear. But the prospect of a sluggish recovery of the economy remains and with it the expectations that rates this year will not move for very long far above present levels.

U.S. INTEREST RATES (%)

	Week to June 27	Week to June 20
3-month Treas. Bill	7.60	7.18
3-month CDs	8.40	8.45
Federal Funds weekly average	8.92	8.47
Treas. 30-year bond	9.87	9.56
Long-trm AAA utility	10.87	10.38
Lng-trm AA industl.	10.50	10.13

Source: Salomon Bros. estimates.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	93⅝	93½	0	−0¾	11.23
Australian Res. 9¾ 84	30	96¾	97¼	+0⅛	0	10.55
Beneficial Fin. 9½ 87	100	92⅞	93⅜	−0⅛	−0⅛	11.21
CECA Grad. Rate 12 86	100	99⅛	99⅞	−0⅛	−0⅛	11.33
[illegible] 90	50	99¾	100	−0⅛	−0⅞	11.66
CECA 11⅛ 88	100	100⅞	101⅛	−0⅛	−1⅛	11.26
Canadian Pacific 9⅜ 89	50	93⅞	94⅜	+0⅛	−0⅛	10.80
Carter Hawley 9¾ 86	50	93⅜	93⅞	−0⅛	−0⅛	11.26
Continental Grp. 9⅝ 86	100	93⅞	94⅜	−0⅛	−0⅛	11.01
[illegible] 11½ 90	100	100	100½	−0⅞	−0⅛	11.70
Dome Petroleum 13½ 92	50	104¼	104¾	0	−0⅛	12.73
EEC 11 85	75	97	97½	−0⅛	−1	11.38
EIB 11¾ 92	80	99⅜	99⅞	0	−0⅞	11.83
EIB 13¾ 90	100	106½	107	−0⅞	−2⅛	12.51
Eksportfinans 11¾ 87	50	100⅝	101⅛	−0⅛	−0⅛	11.02
Export Dv. Cpn. 9¾ 84	150	97⅛	97⅞	−0⅛	−0½	10.46
Export Dv. Cpn. 12⅝ 87	100	105½	106	−0⅛	−1⅛	11.48
Federal Dev. Bk. 12⅝ 85	75	104⅜	105⅞	0	−0⅛	10.89
[illegible] Rep. of 9½ 88	100	93⅞	94⅜	+0⅛	−0⅛	10.91
[illegible] O/S Fin. [illegible] 85	250	100⅜	100⅞	−0⅛	−0⅛	12.43
George Weston 13½ 87	30	102⅜	102⅞	−0⅛	−0⅛	12.92
GTE Finance 9¾ 89	55	91⅜	92⅛	+0⅞	−0⅛	11.20
GMAC 9¾ 86	100	94⅜	94⅞	−0⅛	−0⅛	10.50
GMAC O/S Fin. 11 84	100	100½	100⅞	+0⅛	−0⅛	10.78
GMAC O/S Fin. 13½ 85	100	106⅞	106⅜	0	−0⅞	11.54
[illegible] O/S 12½ 87	75	98⅞	99⅜	−0⅛	−0⅛	12.71
[illegible] Canada 10½ 85	50	100⅜	100⅞	+0⅛	−0⅛	10.37
[illegible] Fin. Ned. 11 83	100	100⅜	100⅞	−0⅛	−0⅛	10.72
[illegible] Int. 9½ 86	100	90⅝	90⅞	−0⅛	+1	11.78
[illegible] 85	75	102⅞	103⅛	0	−0⅛	12.57
[illegible]	125	90⅝	90⅞	−0⅛	−1⅛	11.39
[illegible] Telecm. 9⅛ 88	100	95⅛	95⅜	−0⅛	−1	10.55
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅜ 86 C$	60	96½	97	0	+0⅛	11.48
CIBC 13½ 85 C$	50	104½	105	0	−0⅛	12.13
Cr. Foncier 10⅜ 84 C$	30	†92	93	0	0	12.75
Fst. Can. Inv. 10 84 C$	50	94⅜	95¼	0	−0⅛	11.65
GMAC 12 85 C$	50	†99	99½	0	−0⅛	12.20
Quebec 10⅜ 86 C$	50	92½	94½	0	−0⅛	11.84
R. Bk. Canada 10 86 C$	40	94⅜	94⅞	+0⅛	+2	11.35
R. Bk. Canada 10 94 C$	40	88	88½	+0⅛	−0⅛	11.75
Tardem Cpn. 13½ 85 C$	30	104⅜	104⅞	0	−0⅞	12.17
M. Bk. Dnmk. 8 91 EUA	25	94⅜	96	0	−0⅞	8.67
SOFTE 8⅞ 89 EUA	40	86⅜	88	0	−0⅞	10.51
U. Bk. Nrwy. 9½ 90 EUA	18	97⅜	99	0	0	9.75
Algemene Bk. 8¼ 84 Fl	75	96½	97	−0⅛	0	9.20
Ned. Gasunie 8¾ 84 Fl	50	100	100½	0	+1⅛	8.67
Ned. Middbk. 8⅜ 84 Fl	75	95⅜	96¼	0	+0⅛	9.54
Norway 8¼ 84 Fl	100	96⅞	97⅜	−0⅛	+0⅛	9.17
Norway 8⅜ 84 Fl	100	97⅛	98¼	−0⅛	+0½	8.85
Philips Lamps 8⅜ 84 Fl	75	97½	98	+0⅛	+1	8.99
Air France 11 84 FFr	120	95	96¼	+0⅛	+0¼	12.36
CECA 14⅜ 86 FFr	150	105	106½	+0¼	+0⅛	12.77
Euratom 9⅜ 87 FFr	150	84⅜	85⅞	+0⅛	−0¼	13.11
Finland 11 84 FFr	80	94	95⅜	+0⅛	+0⅛	12.65
Finland 11½ 89 FFr	70	92½	93⅜	+0¼	0	12.78
Gaz de France 11 84 FFr	150	94⅛	95⅛	+0⅛	+0⅛	12.60
IBM France 11⅜ 84 FFr	120	97	98¼	+0⅛	+0⅛	12.54
Renault 9⅜ 85 FFr	100	86⅜	87⅜	+0⅛	0	13.47
Saint-Gobain 9⅜ 86 FFr	130	85⅜	86⅜	0	+0¼	13.31
Solvay et Cie 9⅜ 87 FFr	125	84	85⅜	+0⅛	+0⅛	13.30
Beneficial Fin. 14⅜ 90 £	20	100⅜	100⅞	−0⅞	+0⅛	14.13
Citicorp O/S 13½ 90 £	50	98⅜	99⅜	−0⅛	−0⅛	13.65
EIB 11½ 81 £	25	90⅞	91⅜	+0⅛	−0⅛	13.04
Fin. for Ind. 12½ 89 £	30	96⅛	97⅛	+0⅛	+0⅛	13.13
[illegible]						

DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield — [illegible]

Average price changes... On day 0 on week +0¼

SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield — [illegible]

Average price changes... On day 0 on week +0⅛

YEN STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield — [illegible]

FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld — [illegible]

CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem — [illegible]

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
June 20 ...	83.34		83.95	
June 20 ...	83.57	9.90	84.36	10.54
High '80 ...	93.58	(18/6)	89.19	(2/1)
Low '80 ...	86.32	(2/4)	71.54	(29/2)

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bond		
Last week	2,021.8	—
Previous week	1,023.3	3,330.2
Other bonds		
Last week	326.7	—
Previous week	496.5	318.5

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG: Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV: Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland: Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on June 27

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

HONG KONG

JAPAN

ITALY

NORWAY

SWEDEN

SWITZERLAND

FRANCE

AUSTRALIA

SOUTH AFRICA

GERMANY

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

SINGAPORE

BRAZIL

TEL AVIV

Indices

NEW YORK —DOW JONES

	June 27	June 26	June 25	June 24	June 23	June 20	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
◆ Industr'ls	881.89	883.45	887.54	877.30	876.81	886.71	903.84 (18/2)	759.13 (21/4)	1051.78 (11/73)	41.22 (2/7/32)
H'me B'nds	78.55	76.84	75.89	76.15	76.61	76.60	76.81 (25/6)	65.87 (28/3)	—	—
Transport	275.99	278.12	275.39	277.82	282.70	288.02	305.80 (8/2)	233.69 (27/3)	306.80 (8/2/80)	72.23 (8/7/32)
Utilities	114.60	114.64	114.82	114.28	115.06	114.20	115.57 (18/6)	96.04 (27/3)	163.32 (20/4/69)	10.52 (28/4/42)
TradingVol 000's	53,11	46,115	46,560	37,750	34,180	56,750	—	—	—	—

◆ Day's high 882.08 low 874.49

Ind. div. yield %	June 20	June 13	June 6	Year ago (approx)
	8.07	6.02	6.19	5.27

STANDARD AND POORS

	June 27	June 26	June 25	June 24	June 23	June 20	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	130.45	130.86	131.35	129.40	128.88	128.00	134.47 (13/2)	111.09 (27/7)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	116.00	116.19	116.72	115.14	114.51	114.06	116.44 (13/2)	98.22 (13/2)	125.85 (11/1/73)	4.40 (1/6/32)

Ind. div. yield %	June 28	June 12	June 11	Year ago (approx)
	4.99	8.22	5.12	5.27
Ind. P/E Ratio	7.72	7.75	7.75	7.94
Long Gov. Bond Yield	2.77	2.55	9.78	8.75

N.Y.S.E. ALL COMMON

June 27	June 26	June 25	June 24	1980 High	1980 Low
66.34	56.44	56.72	65.84	67.77 (13/2)	35.30 (27/3)

Rises and Falls	June 27	June 26	June 25
Issues Traded	1,886	1,887	1,895
Rises	662	683	1,065
Falls	782	822	454
Unchanged	442	378	374
New Highs	27	60	7D
New Lows	3	2	2

MONTREAL

	June 27	June 26	June 25	June 24	1980 High	1980 Low
Industrial	388.84	379.45	377.32	(c)	425.80 (29/2)	325.21 (27/3)
Combined	351.06	350.79	349.30	(c)	379.90 (29/2)	266.80 (27/3)
TORONTO Composite	2069.46	2057.2	2053.6	2031.9	2182.6 (29/2)	7702.5 (27/3)

	June 27	June 26	June 25	June 24	1980 High	1980 Low
AUSTRALIA						
Sydney All Ord. (1958/59)	698.94	698.57	887.49	885.94	947.47 (14/2)	780.00 (2/1)
Metals & Mins (1958/59)	5680.91	5684.89	5679.99	5575.58	6680.95 (14/2)	4891.26 (28/3)
AUSTRIA						
Credit Aktien (2/1/62)	67.44	67.42	67.28	67.81	68.48 (7/1)	88.95 (23/6)
BELGIUM						
Belgian SE (31/12/63)	96.02	95.90	95.15	94.98	105.75 (11/2)	90.14 (31/3)
DENMARK						
Copenhagen SE (1/1/73)	79.81	79.81	79.41	79.32	88.74 (2/7)	74.76 (6/3)
FRANCE						
CAC General (29/12/61)	119.4	110.5	109.9	109.6	117.80 (22/8)	97.1 (8/1)
Ind Tendence (28/12/79)	109.1	109.8	107.7	166.9	108.70 (15/2)	95.80 (3/1)
GERMANY						
FAZ-Aktien 31/12/58	229.25	230.45	232.05	233.85	238.89 (25/2)	212.75 (28/3)
Commerzbank (Dec. 1953)	729.4	724.9	730.2	736.8	749.2 (25/2)	667.6 (27/3)
HOLLAND						
ANP-CBS General (1970)	88.9	84.1	84.8	84.8	87.0 (11/2)	74.0 (27/3)
ANP-CBS Indust. (1970)	62.8	65.1	63.8	64.1	69.2 (11/1)	60.2 (28/3)
HONG KONG						
Hang Seng Bank (31/7/64)	1041.45	1026.89	1007.81	1014.28	1041.45 (27/6)	738.9 (19/3)
ITALY						
Banca Comm. Ital (1972)	104.21	106.89	105.06	105.68	107.74 (20/6)	88.11 (2/1)
JAPAN						
Dow Average (16/5/49)	6826.05	6800.55	6761.25	6806.57	6934.81 (25/4)	6476.86 (27/3)
Tokyo New SE (4/1/68)	470.44	470.15	469.38	471.64	473.55 (23/6)	449.91 (10/3)
NORWAY						
Oslo SE (1/7/72)	128.16	127.14	128.86	127.21	144.70 (14/2)	118.12 (28/3)
SINGAPORE						
Straits Times (1966)	644.58	638.29	639.33	649.15	651.28 (23/6)	429.75 (3/1)
SOUTH AFRICA						
Gold (1958)	780.7	699.4	686.4	689.6	708.7 (27/6)	646.5 (13/6)
Industrial (1958)	553.3	557.4	552.8	628.5	588.8 (27/6)	458.8 (28/1)
SPAIN						
Madrid SE (29/12/79)	181.22	181.25	100.76	109.22	103.28 (21/2)	93.78 (16/6)
SWEDEN						
Jacobson & P. (1/1/58)	380.49	366.96	362.34	361.75	386.96 (6/2)	334.72 (17/1)
SWITZERLAND						
Swiss Bank Co. (31/12/58)	305.0	304.8	301.4	300.9	317.6 (11/2)	284.8 (22/4)
WORLD						
Capital Intl. (1/1/78)	—	145.5	145.6	142.7	146.6 (25/6)	720.5 (27/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000: the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Esmark	7,126,100	48½	−1¼	St. Oil Ind.	333,600	58½	−1½
Sony	413,200	10⅝	unch.	Banguet	332,000	13⅞	+ ⅞
City Inves.	383,700	26⅝	− ¼	Norton Simon	339,900	14⅛	+ ⅞
Mobil	361,600	73	− ½	Pan Hand Pipe	315,100	33½	+ ⅛
IBM	341,000	59⅝	+ ¼	JC Penney	278,200	25¼	− ½

Financial Rand U.S.$0.85 (Discount of 27%)

Spanish prices, Page 38

FINANCIAL TIMES SURVEY

Monday June 30 1980

Freight and Export Services

Though the economic indicators are gloomy, international commerce and industry continue to find new markets and send their goods around the world. The financing and expertise involved are described, as is the world trading climate's implications for the Third World.

Policies still to be resolved

By Frank Gray

JUST AS PEOPLE round the world have come to develop an acute understanding of inflation in recent years, so too have their leaders begun to show a broadened appreciation of international commerce and its impact on national economies.

What remains far from solved, however, is whether or not international commerce should be guided by policies of protectionism, free trade or a series of "fine tuning" checks and balances combining elements of both. Added to this heady broth is the question of whether a restraint of trade, or the even more extreme expedient of an embargo, can be used effectively to bring one nation's policies in line with those of another.

All of these factors have emerged as explosive elements in the international controversy on how world trade should be conducted in the 1980s and 1990s, and they are forging the most dynamic climate for international commerce since the end of the 1939-45 war.

The calls for protectionism are being heard loudest from interest groups within the industrialised West seeking to protect home industries from cheap imports from Newly Industrialised Countries (NICs) and the many poor nations comprising the Third World.

The report of the Brandt Commission, under the chairmanship of Herr Willy Brandt, the former West German Chancellor, outlined the West's concern as follows:

"The demands for protection or subsidies . . . stem from political parties, business organisations and the management and unions in industries which are threatened by cutbacks, insolvencies and losses of jobs, especially when those jobs are concentrated in regions which do not offer immediate prospects of alternative employment.

"In a period of general recession these demands are understandable. It is the lives of people and their families that are involved and governments may be tempted to succumb to such pressures."

These interests are bringing increasing pressure on Britain to vacate its role as one of the world's leading exponents of free trade in favour of wider use of tariffs and other non-tariff barriers to trade. While the British situation is by no means unique, the UK handling of these pressures is well worth watching because of this country's still-leading role in international commerce — just under 10 per cent of all the world's commerce is handled each year by British institutions.

The grim economic indicators fuelling such pressures are brief and to the point: unemployment at 1.6m and forecast to rise to nearly 2m within a year, inflation at more than 20 per cent with no notable downturn seen, and the still-rising value of sterling in relation to foreign currencies with all the problems this poses for British exporters.

On a global scale, the Brandt report notes that the "advanced industrial countries are in the midst of their worst recession since the end of the Second World War."

"Six per cent of the labour force in the countries comprising the Organisation for Co-operation and Economic Development (OECD)—about 18m—are now unemployed. Allowing for part-time workers and under-employment, roughly twice this number in the labour force do not effectively contribute to production," the report says.

Resisted

"In the present recession, the OECD countries are expected to grow by at most 2 per cent during the next 12 months (1980), thus making still less use of their productive capacity: the 2 per cent growth rate would be the lowest since 1960 except for 1975, and the average growth for the 1975-80 period at 3.6 per cent would be considerably below the 4.9 per cent average for 1960-70."

Thus far, Britain, for its part, has resisted the call for extensive import curbs. Such moves, said Mr. John Nott, the Trade Secretary, would create distortions in the economy, deprive UK manufacturers of needed imports, turn potential UK exports back into the UK market where insufficient supply would push prices up "thereby fuelling inflation and restricting consumer choice."

The past year has seen conclusion of the Tokyo Round accords on the General Agreement on Tariffs and Trade. But the Geneva-based GATT, whose rules regulate about 80 per cent of the world's trade, has seen only 23 OECD countries become signatories to the trade package with but a handful of developing countries adhering to it.

A multi-fibre arrangement (MFA) brought in in 1973 to restore order to trade in textiles is due to expire within a year and talks are set to begin on its renewal, but the outcome of them is by no means certain.

A spate of negotiations and actions has been undertaken by the U.S. to work a means of controlling disruption to its own economy by Japanese imports, mainly in the automotive field, but so far no amicable agreement between the two countries has been worked out.

In fact, Japanese car manufacturers have just reported that they successfully resisted pressure from their own Government to curb their successful exports to the U.S., despite a U.S. Senate resolution calling on the Government to help rebuild the car industry to meet foreign competition.

To show that this is not just a problem for the U.S., Ford Werke of Cologne has urged the Bonn Government to consider ways of curbing the threat of Japanese car imports flooding into West Germany.

"We want free trade, but with equal chances for all," said Mr. Peter Weiher, managing board chairman of Ford Werke, said recently. "Where these do not exist, ways and means must be found to channel the flow of trade so that problems in one part of the world are not solved by endangering functioning industries elsewhere."

On the other hand, a concerted counter-attack against imports into the EEC of low-cost chemicals, particularly from the U.S., is being planned by the European chemicals industry.

Manoeuvres

But mixed in with this melange of what are seen as anti-trade manoeuvres is the fact that the U.S. itself has suspended its trigger-price mechanism to discourage foreign steel from being sold in the U.S. at unfairly low prices. Government officials, advocating support for the principles of free-trade, said the suspension was undertaken to prevent "over-protection" of the American steel industry.

Whatever these problems pose for the West, they appear to pale in comparison with the problems of the world's poorer countries, which have recorded debts of nearly $300bn in the past six years; which now need an estimated $35bn a year to service their borrowing; and which are faced with ever-growing problems of how to pay for their oil imports from the OPEC group of nations.

This goes to the heart of the Brandt Commission report, which said that the "most urgent need is for a programme of large-scale transfer of funds from north to south to be stepped up substantially from year to year during the final two decades of the century."

This problem was not lost on the seven national leaders from the West meeting in Venice last week, who expressed the view that the oil-producing countries should show greater responsibility, both in fixing oil prices and in giving more direct aid to the Third World. A major international effort was required to help developing countries and to increase their energy production, and one possibility was the creation of a new World Bank lending organisation.

A delegation from the China National Chartering Corporation visits Hull docks. Exports to China are a major growth area for the British Transport Docks Board, with 1979 traffic 30 per cent up on the previous year.

Perhaps most important of all, the seven promised to resist pressures for protectionist action, and reaffirmed their determination to avoid a harmful export credit race.

In spite of the worldwide implications of the current recession, international commerce will continue to grow. Last year, for example, the International Monetary Fund reported a global value of trade of more than $1.5 trillion (million million), an increase from the 1978 figure of $1.3 trillion. This compares with $574bn in 1973 and only $154bn in 1963.

The overriding question for the business community is what will be the nature of that growth and what new lucrative markets will evolve to replace, for example, the declining rate of growth in export sales to the oil-rich Middle East? Will the transport systems for the movement of goods continue to undergo the rationalisation that took place with the introduction of containers and the rapid expansion of air freight?

The emergence of freight forwarders, as a professional force, has done much to simplify the complexities of exporting — especially for the newcomer.

The Brandt report forecasts that while declining fertility will bring some small measure of control to world population growth, a 2-3 per cent annual population growth rate will result in a doubling of the world's population within 25 to 35 years.

To emphasise its call for vastly-improved trade between rich and poor nations it warns that a world of 15bn people could well be beset by "potentially devastating" problem. It is those countries which have managed to spread the benefits of development widely that have experienced orderly birth rates.

The question of whether the growth will be orderly is one that is much on the mind of Mr. Arthur Dunkel, who recently was named as the new Director-General of GATT, succeeding Mr. Olivier Long, whom he formally replaces this autumn.

In a recent interview, Mr. Dunkel expressed his concern that disputes threaten to tear the world trading system apart because Governments were increasingly tempted to flout the rules of free and fair trade.

But he expressed optimism that, in the end, nations will not harm themselves. The world's trading nations had tied their economies so closely that any move to break this interdependence would be unthinkable," he said.

CONTENTS

Wide range of services and aid available

COMPANIES should not decide to go for exports unless they are prepared to give "top priority" to prospective overseas business. Ocassionally the decision will result in irritation, frustration, and may seem unrewarding.

This advice to small companies with export ambitions comes from the British Overseas Trade Board—the body set up by the Government in 1972.

"How to start exporting—a guide for small firms," by the Board may show the world of the exporter as one of discomfort and risk. The Board insists that export decisions should be subjected to "cold, hard calculation. as a major long-term decision of critical importance to the survival of your firm."

But these calculations can bring substantial rewards. They can be highly profitable and s trengthen the basis of the business. This is the other side of the irritation and frustration which may be encountered on the road to export success,

Companies, particularly the small, rising entrepreneurial veoture, bursting with energy and enthusiasm, but without exporting experience, may be put off not by the challenge of long-term decisions, but b ythe complexity of the paper work.

Risky

The Board, in spite of its wish to encourage exports, does not hide the fact that to develop a growing export business "stretches a company's commitments and puts a severe strain on financial and marketing expertise."

Exporting is also likely to be more risky than producing and selling goods in the home market.

So, in view of all the difficulties, would companies be better off not becoming embroiled in exports. The Board suggests the reverse and has developed persuasive literature to help the would-be exporter. It suggests after an internal decision has been taken, how to go about winning the potentially lucrative export orders.

Mr. John Wilkes, chief executive of the Board, who retires later this year after five years, sees "motivation" as the first task. With his team he has organised monthly conferences since 1975. These have been held in most UK cities.

Case studies by existing exporters are given to audiences includeing shop floor representatives. The next conference aimed at motivating exports will be held in Bradford next month, with another planned for Scotland in the autumn.

The Board also helps to launch "Export Clubs." These now number about 50. They are self-supporting and designed to help smaller companies share the experience of successful exporters.

The Board also tries to take the mystique out of exporting. The 200 regional officers and 200 staff in London and the South East visit exporters to discuss export problems and how Government services can help.

Mr. Wilkes said that the personal counselling service is "the most valuable thing we do." More than 50,000 visits are made each year.

Other Board services include the Export Intelligence Service. This is a computer-based operation designed to help companies identify overseas export markets.

Alternatively, once the company is armed with a precise knowledge of its markets it may then go on to an exploratory marketing venture.

Once again, the seemingly ubiquitous Board is prepared to help. It will pay half the return air fare to any country outside Western Europe, where a company is taking part in a visit organised by a chamber of commerce.

Other Board schemes to help the would-be exporter, include participation in overseas trade fairs. These have a dual function, allowing UK companies to show their wares and pick up information about foreign competitors' prices and designs.

As many as 300 joint venture missions and trade fairs, involving trade associations, chambers of commerce and the BOTB are organised each year. One of the most recent was the U.S. Houston Offshore Technology Conference, attended by 162 UK companies.

Potential overseas importers are also brought to the attention of budding British exporters, through the BOTB's "inward mission schemes." Some £½m a year is spent on these ventures, which according to Mr. Wilkes, provide a "cost effective way of putting British companies in touch with importers."

Contact

The Board works with a sponsoring organisation, either a chamber of commerce or a trade association, and helps bring foreign potential buyers to Britain.

Bnt for the small potential exporter, more concerned with the complexities and potential risks once be has established contact with a buyer, the Board has prepared a range of services.

These are covered by the "small exporters scheme," which provides cash flow help in the early stages of exporting. The Board insures the company's profits on an export contract with the Export Credit Guarantee Department insuring the credit risk.

The Board is also prepared to advance up to 50 per cent of some of the additional export costs such as office costs, travel, training and sales promotion. This is available at commercial interest rates plus a 3 per cent premium. The exporting company repays the Board if the contract proves profitable.

However, the Board takes a few months to assess applications and so far only 70 such schemes have been approved.

One of the most widely used Board services is its funding of market research. The Board will pay up to one-third of the cost of a research exercise using an outside consultant.

But, in spite of the Board's comprehensive services the Government has to cut cash limits. In the 1980-81 financial year the Board has been set a limit of £34m, a cut compared with last year of 5 per cent.

The cuts will continue to 1983-84 and there may be more staff cuts as well as the 100 jobs lost out of the board's staff of 950 between this year and 1982.

The clearing banks are a ready source of help on documentation, payments for exports, credit insurance for exports, finance involving the ECGD and the use of foreign currency.

But one of the most valuable services available to would-be exporters comes from chambers of commerce. Most are in touch with experienced exporters and can provide help and contacts. Some, including the London Chamber of Commerce, provide assistance on market information and how to unravel the complexities of export documentation.

Mr. Charles Hart, of the London Chamber of Commerce's documentation department, provides a simple and easy to understand explanation of the main patha for would-be exporters. He points out that the work starts with the quotation to the potential customer. This is unlike any quotation sent to a domestic customer, and has to include all aspects of the delivery terms—these could be agreed with a forwarding agent—and insurance.

The success of the bid to win an export order may depend on the successful execution of this initial quotation. The quotation, including the all-important price, is the company's main point of contact with the buyer. Everything depends on it.

After the importer has accepted the quotation, he has to send his letters of credit to the British bank. This is then passed to the UK exporter explaining the date when the letter of credit expires. This is usually 14 days for air freight and 21 days for sea freight—from the date of shipment.

The letter of credit also specifies the rest of the documentation needed, including certificates of origin, certified copies of the commercial invoice and a bill of lading—the vital document which is used to record that the goods are actually on the ship.

After all documents have been exchanged and accepted, the export can go ahead, leaving the UK company with few worries apart from how it plans to win the next export order.

Lynton McLain

Problems in financing

THE DIFFICULTIES now facing British exporters, ranging from the high value of sterling to political instability in many markets, are also being felt by the institutions which provide financial and insurance services, notably the clearing and merchant banks, and the Export Credits Guarantee Department.

While those who provide these services normally will try to do all they can to help exporters, perhaps by adjusting their services accordingly, there is ooly a limited amount that they can do now, since most of the problems stem from factors which are outside their control.

With the recent difficulties in a number of profitable markets such as Iran, Nigeria, Turkey and other smaller countries, UK companies have been looking hard for new buyers abroad, particularl in view of falling demand at home.

European markets, although highly competitive, have become iocreasingly important to companies, and some developing countries such as Mexico and Zimbabwe are looking increasingly promising. UK banks have recently arranged credit agreements worth about $150m (£65m) for sales of British equipment to Mexico, where demand is being fuelled by oil development.

While it is likely that a considerable amount of similar business will come to the UK, it is not sufficient to replace that which has been lost in the past couple of years. These losses are also certain to be reflected in rising ECGD premiums, probably next year, when the department will be hard put to meet its target of accumulatiog a surplus of 2.25 per cent of its maximum liability. Last year this surplus was £2.7m, representing 2.4 per cent of maximum liability.

Following a bad year of claims payments in 1978-79 (a total of £133.6m which was 42 per cent up on the previous year) due mainly to problems in Turkey, the department is now faced with sizeable payments on defaults in Iran.

Although it is extremely unlikely that the ECGD will be faced with a third bad year in a row due to aoother political upheaval in another major market, there is widespread uncertainty over Third World markets which is creating new insurance business for the ECGD as businessmen hedge their bets.

But in taking on new liabilities, the department is unavoidably making it more difficult for itself to meet its target ratio between operating surplus aod maximum liability. It is therefore likely that fairly substantial premium increases will be needed to generate funds.

The only recent increase it has had is on premiums for comprehensive bank guarantees for exports sold on "open account" terms. Bnt only about 1,400 of these policies are held, compared with a total of around 12,500, and the increase will merely mean that losses on this type of policy, which have been borne for some years, may now be avoided.

Premiums on the policies were increased fro m25p to 50p per £100 of the exporter'a agreed borrowing limit, with effect from April 1. The same applied from that date to comprehensive bank guarantees for exports to associated buyers on a bills or notes basis of up to two years' credit. For such business with other buyers, however, the premium remains 25p per £100.

Complaints

Another recent change introduced by the ECGD, and one called for by some exporters for a long period, is the end of the compulsory use of foreign currencies on large, specifically guaranteed overseaa contracts, under its fixed rate export finance scheme. Despite some complaints rerently that this was not being honoured, the ECGD points out that agreements which were in the pipeline, designated in foreign currencies, could not be changed.

The early response to this change indicates that there was not a great body of exporters wishing to get out of foreign currencies. Moreover, it will probably take time for the clearing banks to adjust the balaoce of their funds held in sterling for export finance purposes.

Many company finance directors take the view, cootrary to other senior executives, that foreign currency financing has few drawbacks and can offer considerable advantages in particular cases. The ability to use sterling in large contracts merely gives greater flexibility.

A more recent change in an increasingly popular export finance scheme is the raiaing of the upper limit of guarantee under the British Overseas Trade Board's Market Entry Guarantee Scheme. This raises the limit from £100,000 to £125,000 par venture and applies to all applications dated from July 1 this year. The scheme's minimum guarantee will remain at £20,000 per venture.

The scheme ia broadly designed to allow smaller and medium-sized companies in

CONTINUED ON NEXT PAGE

ugh competition among freight forwarders

..H T FORWARDERS ... by far the greatest ... freight of any ... organisations—about 80 ... cent—and they also handle ...y a slightly smaller proportion, about 70 per cent, of all ...ports handled at British ports.

The room for further expansion of the market share held by freight forwarders is, as a consequence, severely limited. However, the industry may find some growth through improvements in the range and quality of services offered to exporters and importers.

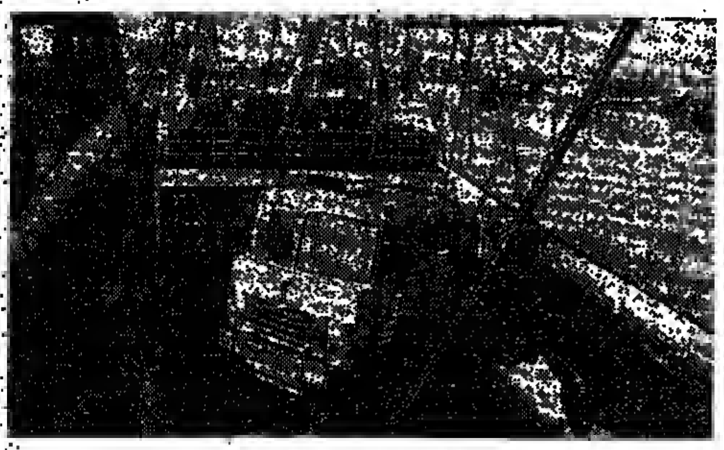
These changes may become increasingly essential in a UK market which has more than 3,000 participants and which is less huoyant now than it has been for several years. In 1978, according to a survey on the industry by ICC Business Ratios, the average return on total assets in 60 freight forwarding companies surveyed was 4.8 per cent. Only 13 of the aample achieved a return of more than 10 per cent.

Even the largest companies in the aector have not prnved themselves immune to rising competitive pressures, as more and more small and medium-sized companies bid for business traditionally won by the big names. The LEP Grnup, quoted on the Stock Exchange, was the most profitable in the freight forwarding industry two years ago.

The group produced pre-tax profits of £4.5m from annual turnover of £56m, a downturn compared with the previous year when it generated pre-tax profits of £4.7m from turnover of £52m.

Similar stories come from the next most profitable companies, this time in the private sector. Mann and Son (London) produced pre-tax profits of £1m in the 12 months to March 1978 and Thomas Meadows just below £1m, both down on previous years.

The strike by drivers employed by memher companies of the Road Haulage Association in January 1979 is thought to bave had a decimsting effect on many of the small forwarders, particularly those operating on a one-man basis and sepecialising, for example, only in documentation.



Part of a 30-strong fleet of vehicles shipped to Sudan through the specialist forwarder F. G. Hammond International, to form the nucleus of a new transport consortium delivering to the country's hinterland.

Reliable

These reversals may have the effect of cutting the total size of some sectors of the freight forwarding business at a time when professionalism and a highly reliable, well-established business is most urgently required by exporters.

The traditional business of the freight forwarder is to sct as a link hetween the exporter and his customer. In this sense the forwarder is certainly a middle-man, but only in the most unprnfessional operations could this term be applied in a derogatory way, to imply sapping the profit margins of the exporter and bindering, rather thso oiling, the relationship between exporter and the overseas customer.

Freight forwarders are responsihle for arranging transport from the exporter's works, to the airport, port, station or transhipment depot. From there, the forwarder may have heen asked to arrange transport across international frontiers. This would involve the company in the preparation and presentation of the appropriate documents for clearance at customs.

Further tasks which may he undertaken by the forwarder include the preparation of documents for customs clearance at the point of importation. In the most comprehensive case—where the forwarder is asked to handle the complete details of transport from the exporters's works to the importer's factory, in Italy, Poland, India or elsewhere the work is defined by the "delivered domicile" concept.

This is where the price quoted by the freight forwarder to the exporter is the total price for all aspects of transport, documentation, customs clearance paperwork, loading snd offloading as the goods move from one continent to another and by one form of transport and another.

This concept bas the attractive feature of enahling the UK manufacturer—in bis drive for exports—to quote a total price for bis goods to a would-be importer whicb includes all aspects of the transport and paperwork involved from factory gate to final destination, and even inside and on to the precise spot demsnded hy the importer. This msy be an area of a warebouse, or, in the case of the importer wanting raw materials or semi-finished products from the UK, right up to the start of the processing line.

Of course, this comprehensive concept of "delivered domicile" is as expensive as exporting can be, because the freight forwarder arranges every detail. It bas clear advantages for the exporter, according to Mr. Brian Kelleber, managing director of International Express Company, of Brentwood, Essex.

International Express has recently formed a joint venture operation with the state-owned National Carriers, to exploit the market for this type of comprehensive freight service. International Carriers, aa it is called, provides a fully integrated freighting service hut with the emphasis on speed and simplicity.

The partnership plans to introdnce a simplified "master" document to cover all the needs of the exporter or importer, in place of the mass of complex documentation now required. The bope is that the simplified apprnach may entice those small, anonymous companies of would-be exporters to take the plunge and go for overseas markets.

"Delivered domicile" terms for exporting will certainly be offered to those companies which want it, but Mr. Kelleber for one knows that the hattle is largely upbill to persuade UK companies to quote to their foreign customer the all-embracing rate for factory gate-destination transport.

The vast majority of exporters in Britain—up to 70 per cent according to International Express—still prefer to stick to the traditional exporting concept of FOB—free on board, where the forwarder handles the consignment up to the point wbere it is put on hoard the ship.

Free on board quotes by the forwarder provide cheaper rates to the exporter — aod may appear to make his final quoted price attractive to the importer. But the importer, particularly in continental Europe where the "freight and carriage paid to" — Franco — roncept of "delivered domicile" is well estahlished, traditionally has been used to considering quotes from suppliers of goods or materials which included all the transport and document requirements.

Little choice

The Britisb exporter, however, is faced with the difficulty that if he opts for the FOB quote of not knowing exactly how much extra the importer—his customer—will have to pay to get the goods to his factory.

Free on board was widely accepted by Britain's trading partners in the last century—hut largely hecause they had little choice. Either they accepted the British goods oo an FOB basis, or—even more unacceptable nowadays—ex-works, where the goods were in effect left at the British company's gates for collection by the buyer, or they went without.

Wider acceptance of the delivered domicile concept would probahly raise the profits of the freight forwarders. This may he frowned on by British exporters anxious to keep costs down. But the alternative, to FOB, for example, could involve the exporter in extra costs, in foreign exchange, if foreign transport is nsed from the UK point of export.

The whole dehate ahout the precise form of exporting procedures to be adopted hy a British manufacturer with the help of the forwarder hrings into focus the varying professional requirements for freight forwarders in Britain and in the rest of Europe.

In Holland and West Germany, people can start work as freight forwarders only after a three-year training period.

In Britain, no formal requirements exist and this has led to the proliferation of small, often one-man band companies claiming to offer comprehensive, fast and reliable services.

But the Institute of Freight Forwarders, through the International Freight Forwarding Training Council, chaired by Mr. Kelleher, has already taken steps to improve the professionalism of freight forwarders, by devising training schemes.

The training council, and the training services division of the Government's Manpower Services Commission, commissioned a survey of manpower and training needs of the freight forwarding industry in 1978.

The detailed survey work was carried out between May and August last year and it was estimated that Britain bad a total of between 3,000 and 3,540 freight forwarding "units." The word "company" is not used because so many of them are one-man operations.

The survey estimated that 2,500 to 2,725 were registered compsnies with a turnover of over £10,000 a yesr (the break-point for VAT payments), leaving up to 1,000 with a turnover of less than £10,000—"usually one-msn businesses" according to the survey.

The survey also estimated that the industry employed just over 56,000 people—over half were under the age of 31—hut some of the companies interviewed showed little enthusiasm for formal training, largely because of the expense. Nevertheless, 20 per cent of companies said expansion of their freight forwarding operations was limited hy the absence of trained managers or experienced clerical staff.

The skills needed by staff are wide-ranging. Forwarders give advice about finance and trade in foreign countries, they advise on packing, labelling and marking needed to comply with the regulations of carriers and the laws of other countries.

They plan and cost routes, modes of cooveyance so the exporter can include details in his quotation; they reserve freight space and co-ordinate transport from one country to the next; they prepare and present all customs documents and arrange import and export clearances and licences. And they pay port dues and insurance and provide advice on exchange cootrol requirements.

With such a comprehensive list of tasks, it is little surprise that the Manpower Services Commission coocluded thst "the freight forwarder plays an importan role io reducing the cost of exports and meeting delivery dates."

The commission added that "in view of the role he plays in making UK exports more competitive in the world market, the importance of adequste staffing and effective training cannot he overstated."

Formal management training on a national scale is suggested as an integral part of career development. In particular, "skills in the motivstion and supervision of staff should he regarded as a priority." Computer training and training in office efficiency are also required.

Since the report was published, the Internatiooal Freight Forwarding Training Council has put some of its recommendations into effect and the first people to he trained along the lines suggested have already hegun a two-year course. So the industry can he of even more direct value to the Britisb exporter than it has been in the past.

Nevertheless, the industry despite the high standsrds set by the Institute of Freight Forwarders' examinations, is still some way from the pattern of mucb of the Continent, where minimum standards of entry to the industry are set as a matter of course.

Lynton McLain

Financing

CONTINUED FROM PREVIOUS PAGE

manufacturing to insure part of the risk of entering a new export market. Subject to defined opper and lower limits, it offers insurance for 50 per cent of certain overheads such as staff costs, office accommodation and warehousing which are particularly at risk in entering a new market.

The scheme operates by providing funding for the proportion of eligible overhead costs it is prepared to insure, repayable at a commercial rate of interest through a levy on sales over the agreed period of the venture.

In addition, the company pays a premium for the insurance element which relieves them of any shortfall in repayments at the end of the agreed period if the venture has not gone according to plan.

More than 50 such agreements are now in force under the scheme, involving guarantees totalling £3.5m. The companies concerned expect these agreements to generate exports worth £250m over periods ranging from three to nine years. Markets involved include the Common Market, North America and the Middle East.

This, however, is only one of many forms of export finance offered hy British and foreign banks in London, the latter having heen quite active in the provision of foreign currencies. Nevertheless, the big four clearing banks continue to dominate the market.

The most recent trend has been for the clearers to make the provision of export finance as straightforward as possihle by themselves ohtaining ECGD cover, along the lines of the scheme run by Midland Bank International. Within certain parameters of valne, the exporter simply signs an agreement and provides evidence that goods have heen exported.

He can then obtain up to 90 per cent of the invoice amount for which he pays a 1.5 per cent over base rate plus a flat 1 per cent charge to cover the hank's own ECGD insurance and handling costs.

This sort of scheme is, of course, most suitahle for smaller companies, mostly those with little experience of exporting or with only limited sales ahroad. The larger companies, many of which have heen dealing with the ECGD for many years, are generally aware of the range of services offered hy hanks and the ECGD, hut nevertheless need to watch for constantly changing schemes which are offered to enable them to export more effectively.

Lorne Barling

The ro-ro revolution still faces some old obstacles

MANY EXPORTERS still view a ship, whether it be a cargo liner or a short sea ferry, as a separate link in their distribution system rather than ao integral part. Only recently bave distribution managers started to revise their ideas.

In the old days when conventiooal break-bulk cargo was pre-emineot, the shipping element of the distributioo cycle was notably unreliable. Goods waited for days oo the quay-side and ships' schedules were ofteo changed. Exporters always had to leave a large margin wbeo estimating delivery times.

However, the adveot of unitised cargoes, either in the form of cootainers or roll-oo/roll-off (ro-ro) freigbt, has revolutionised the shipping of goods. Birmingham industrialists can now export to Japao confident that they can quote delivery times in days rather than mooths.

Confident

The tremendous growth in ro-ro traffic has transformed the short sea traffic in mucb the same way as the container bas affected the deep-sea trades. Ports sucb as Dover oever close, and mnre than 500,000 accompanied vehicles pass through its gates oo the way to the Cootineot every year.

The growth of the ro-ro ferries bas meant that manufacturers can dispatch their own vehicles confident tbat wben they say their goods are going to be delivered in Milan oo Wednesday, they really mean Wednesday.

Both the cootainer and the ro-ro ferry bave increased the reliability of the transport system and the effects of this are nnly now starting to be seen. Increasingly, exporters are seeing the cost of sea transport as part and parcel of their overall distribution and stocking policy. As long as they can rely oo goods being delivered on a certain date, for example, stock levels can be reduced drastically.

The big advantage of the ro-ro ferries is their flexibility. Exporters have a choice of literally dozens of UK ro-ro ports and even more services. Competition for businass is keen and relatively small ports such as Dover aod Felixstowe have taken an Increasing amount of business from older ports such as Liverpool and Loodon.

Tha statistics underline the massive growth of ro-ro traffic duriog the 1970s—a period during whicb the UK economy stagnated for much of the time. In 1973, 144,000 commercial vehicles used Britain's ro-ro ferries. Last year, 325,000 used the ferries and nver the last few years the numbers bave been growing by around 15 per cent per anoum.

Tbe big questioo is how mucb longer can the above-average growtb rate of ro-ro traffic coo-tinue? Uotil now the traffic has beeo sustained by users switcbing tbeir goods from coovention ed abips. However, there are grouods for believing that the scope for further penetration of the cooveotiooal shipping market by the ro-ro ferries is limited.

The early traffic returns for 1980 iodicate that commercial traffic is starting to fall, for the first time. Dover Harbour Board figures for the first five months of 1980 show a 4 per cent drop in commercial vehicles and a huge one-third drop in other types of unitised ro-ro freight.

UK RO-RO TRAFFIC
('000 units)

	Lorries	Trailers*
1973	144	147
1974	187	181
1975	209	184
1976	223	199
1977	273	208
1978	281	246
1979	325	284

*including cootainers
Source: British Business

Higber fuel costs are forcing manufacturers to re-evaluate the wisdom of seoding goods loog distances by road. Often train services are cheaper. Does the saving in transport costs, for iostance, outweigh the slower delivery times?

Until oow the reliability of ro-ro services plus the flexibility it gave to road bauliers has been the key factor behind the growth of the ferries. But as fuel costs escalate the equation becomes more complex. It is noteworthy that after years of decline, British Rail's rail ferry services have started to grow rapidly once again.

On the short sea routes ro-ro ferries dominate but some people argue that if the sea journey is more than 200 miles, alternative transport methnds may be more economical. Eire's Bell Lines, for example, has built up a network of short sea container routes which now extend up the Rhine.

In the deep sea trades, the cootainer has now firmly established itself, although deep sea ro-ro ships are in evidence on routes to places like West Africa. Generally, ro-ro ships are still to be fouod wberever there is port congestioo bacause of tha spead of unloading. Over the longer term, however, tha trend is towards containers.

The Middle East services are oow in the process of beiog cootainerised and the Latin America trades appear to be next on the list.

In addition to the mechanical switch from conveotional cargo traffic to intermodal containers, distribution managers are also having to assess the advantages and disadvantages of new means of transporting their goods around the world.

In the past, for example, UK exporters doing bosiness with Japan would normally send goods via a member of the Far East Freight shipping conference or a non-conference shipping company. However, exporters now have the additional choice of the Trans-Siberian (TSR) landbridge wbich can carry containers far more cheaply than traditional shipping companies.

Lower freight rates are always attractiva but users of the TSR have to weigh up the advantages of the lower delivery costs with the need to support non-subsidised shipping services in good times and bad.

It is clear that while the cootainer and the ro-ro ferry have revolutionised sea transport, users have not yet fully adapted themselves. The technology is ready but old attitudes to shipping still have to change. Until they do the full benefits of the container/ro-ro revolution will not be reaped.

William Hall

Charters challenge for air supremacy

THE RAPID GROWTH wbich characterised the development of air frelght in the 1960s and through mnch of the past decade is expected to contimue, although at a substantially lower rate than in the past.

Rising fuel costs, the growing recession in international trade and the current price war among road freight baulage companies and among the operators of tbe short-distance, roll-on roll-off ships which link Britain to the Continent of Europe, are all merging to ondenmine some of the recent spectacular growth in the air freight business.

For the best part of the last two decades, the proportion of the valne of UK exports and imports moved by air almost trebled. In 1960, £444m worth of goods were airlifted into and out of Britain, represeoting 5¼ per ceot of the UK's total trade.

By 1977, the value of goods moved by air to aod from the UK bad shot up to £10.9bn—15¼ per ceot of the UK's total trade.

Exports traditionally bave led the field io the air freight busioess, although in Britain the late 1960s and early 1970s saw imports by air overtake exports in terms of value. The greatest recent downturn in the fortunes of the air fraight busioess came in 1974 after the Middle East war of the previous year. Tbe sharp rise io the value of imported oil, by sea, led to a fall in the proportion of air imports in the total of nearly 2 per cent.

Value

But since tbe mid-1960s, when air freigbt first accounted for more than 10 per cent of Britain's exports, the air freigbt business has accounted for a rising proportioo of total UK exports.

The value of exports by air iocreased by 29 per cent io 1977 and imports rose by 27 per ceot in valuc. This compares with a 27 per cent rise in total exports and a 17 per cent rise in total UK imports.

The value of air freight for thc exporter and the importer continues to lie in its speed, reliability, reduced chances of losses en route aod hence reduced iosurance—although crimes at airports cao still represent a serious problem for the iosurance companies—and its inherent suitability for the transport of high value to weight goods. Air exports accounted for 17.1 per cent of total UK exports in 1977, but accounted for only 0.4 per cent of exports by weight.

The classic high value to weight material — precious stones—accounted for almost a half of the £1.2bn rise in the value of exports from Britain by air in 1977. Precious stones accounted for 29 per cent of total air exports.

However, machinery, which accounted for 31 per cent of total exports by air, and transport equipment also remain important items for the air freighter.

Live animals, fresh fruit and vegetables, medicinal and pharmaceutical products and clothing are also a regular part of air freight imports and exports.

Evidence that the growth which bas been such a feature of the air freight business may sooo start tailing off came last year in the first financial survey of UK airlines, passengers and freight published by Jordans. The snrvey says that the change is linked with the reduction in spending by the members of the Organisation of Petroleum Exporting Countries and the rapid development of competitive Middle East port facilities.

Nevertheless, the survey fnrecast a long-term growth rate of about 9 per cent for air freight operators.

Charter operations have developed as one of the main growth sectors i nthe air cargo market, despite competitioo from the scheduled airline operators.

However, the charter market for air freight offers the UK exporter substantial opportunities for tbe carriage of botb large volumes or goods of awkward shape, since cbarter carriers teod to use all-cargo aircraft. The acheduled airlines, inclodiog Britisb Airways are fighting back, however, with tbeir own all-cargo jumbo jets, althougb rates for scbeduled fligbts are between 20 per cent and 30 per ceot higher thao for correspooding cbarter flights, according to the Jordans survey.

Nevertheless, of the total cargo lifted by the scheduled services of UK airlines in 1977, 65 per cent of the tonnagc was in passenger aircraft.

The qoestion of the role of the scheduled airlines, which are members of the International Air Transport Association, was the subject of a powerful attack on rate-fixing by the British Shippers' Council in a paper to the Civil Aviation Authority in March.

The Council, part of Britain's Freight Transport Association which represents the transport interests of more than 15,000 companies, callel for an end to rate fixing by IATA, a plea for a simplification nf tariffs, a closer look at air freight agents and a new approach from airlines.

The prospect of de-regulation in air cargo, to parallel the changes which have led to the boom in demand for air travel among passengers, was also takeo up by the Flying Tiger Line of the U.S., one of the world's leading air freight airlines. Mr. William M. Caldwell, its vice-president fnr marketing, called for an urgent streamlining of customs procedures to belp meet the poteotiial growtb of the industry.

Pressure

The airline wanted computerised customs facilities to be introduced on a wide scale, to help speed the flow of traffic and tn reduce airport congestion.

Mr. Caldwell said that IATA should take the lead in the development of a single, computerised customs clearance system.

Most of the British Shippers' Council's comments were aimed at encouraging the CAA to put pressure on IATA so that airlioes should be eocouraged "or even directed" to disband rate fixing procedures.

The council said that rate fixing supports the inefficient, elimioates competition and enables those witb vested interests to bold back true commercial development.

Tbe council also wanted changes in tbe tariff system, "now so complex it almost defies interpretatioo." It suggested a four-tier system based on a priority express service for small consignments, a pre-booked reliable scheduled departure service, a deferred unbooked, off-peak or fill-up service and a negotiable part charter service for shippers.

Talks are to be started by the British Shippers' Council with airlines, shippers and freight forwarders with the object of securing an air freight policy "acceptable to all spheres of British interest."

Lynton McLain

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

APPOINTMENTS

New chairman for Mobil

From July 1, Mr. John C. Lowein becomes chairman and chief executive of MOBIL OIL COMPANY, the UK refining and marketing affiliate of Mobil Oil Corporation. He succeeds Mr. George W. Pusack, who has held this position since 1975 and who on August 1 becomes chief executive of Mobil Oil Australia. Mr. Lowein, is executive vice-president of Mobil Europe, which is headquartered in London.

★

THOMAS NELSON, the educational publishers, are making the following appointments from July 1: Mr. Roger Pudney joins as assistant managing director with specific responsibility for home and overseas sales and marketing; Mr. David Worlock is appointed assistant managing director with overall responsibility for publishing; Mr. Chris Nott is joining the company in September as international publishing director; and Mr. Dane Batt joins as director of personnel.

★

Mr. David R. Stevens, formerly deputy chairman of DRAYTON COMMERCIAL INVESTMENT COMPANY and DRAYTON CONSOLIDATED TRUST, has been appointed chairman following the resignation of Mr. Philip Shelbourne as director and chairman on his appointment as chairman of BNOC.

INTL. COMPANIES & FINANCE

South African builder stays ahead

BY ... JONES IN JOHANNESBURG

LTA, THE diversified South African construction, building and civil engineering group, showed improvement in the second half of its financial year in spite of its warnings at the interim stage that the second half generally brought lower earnings than the first.

After an interim pre-tax operating profit of R6.76m and first-half turnover of R238m, the group has reported an operating profit for the year to March 31 of R13.96m (S18.1m), against R11.37m in 1978-79, and turnover of R470m (S609m), against R396m. The first half brought an operating profit of R6.76m, on turnover of R238m. Since the end of the fiscal year, the group's order book has risen from R437m to R496m.

With a continuing upsurge in civil engineering and construction starts, new contracts are now being signed at higher profit margins than for some years. Major contracts recently won by LTA include a R24.8m extension to South Africa's major airport, Jan Smuts, Johannesburg, a R26.5m extension to the headquarters of the state-owned electricity utility, Escom, R19m for unidentified military facilities and various water conservation and reticulation projects.

Although the group's order books are bulging, the management foresees some constraints in the nationwide shortage of skilled labour. Considerable reductions were made in the workforces in the later 1970s, and this cannot be made up overnight.

At the attributable taxed level LTA has reported a 19.6 per cent profit advance to R7.83m, from R6.55m, equivalent to earnings per share of 61 cents, against 54 cents. The group has declared *dividends* totalling 24 cents, compared with 21 cents.

First half advance by Trizec

By Robert Gibbens in Montreal

TRIZEC CORPORATION, the major Canadian and U.S. real estate developer controlled by the Peter and Edward Bronfman interests with major participation by the Reichman Brothers of Toronto, earned C$7.2m (U.S.$6.26m) or 38 cents a share in the first half ended April 30 compared with C$5.5m or 35 cents in same period of the previous year. Revenues totalled C$123m, against C$107m.

The dividend is being raised to 35 cents semi-annually from 30 cents.

Lower rating for U.S. bank

NEW YORK — Moody's Investors Service said it has lowered the rating on First National Boston Corporation's $100m of notes to double "A" from triple "A".

Moody's said that the financial and operating performance of the company, which is the holding company for New England's largest bank, continues to exhibit substantial strength, but the level of underperforming assets remains at a high point.

Reuter

Esmark disposal may total $1bn

BY STEWART FLEMING IN NEW YORK

DETAILS OF the corporate reorganisation announced last week by the large U.S. conglomerate, Esmark, indicate that the company is proposing to halve its annual sales revenues of $6.77bn and to dispose of an oil and gas subsidiary which last year contributed 41 per cent of its operating income of $147.4m.

Esmark owns International Playtex, which manufactures women's underwear, and STP Corporation, which makes automotive products. But its main lines of business also include its Vickers Energy Corporation subsidiary, which owns proven oil reserves of around 20m barrels and gas exploration acreage, an oil refinery and some 350 service stations.

The Vickers division provides the bulk of the assets which the company is planning to dispose of and analysts are estimating that the sale could bring Esmark between $600m and above the $1bn mark. The company indicated that it is in part the high cost of developing its oil properties which has led to the decision to sell them.

In addition to its Vickers operation, Esmark is also proposing to try to dispose of or partially close part of its large meat interests. Swift and Co. the Esmark meat subsidiary, is one of the leading meat packers in the U.S. Esmark however is only proposing the disposal of *the division's fresh meat operations*, which involves the shipment of quarter sections of carcasses to wholesalers around the U.S. It does not plan the sale of its frozen or processed meat operations.

Pioneer Sugar Mills doubles earnings

BY JAMES FORTH IN SYDNEY

PIONEER SUGAR MILLS more than doubled its earnings, from A$4.6m to A$9.6m (U.S.$11.1m) in the year to March, and appears set for a further solid gain in the current year. As a result the dividend has been lifted from 7.5 cents a share to 12 cents and is covered by earnings of 32.8 cents a share compared with 15.8 cents in the previous year.

Mr. J. F. Leggo, the chairman of Pioneer, said that the results reflected the buoyant sugar price in the latter half of the year, an increase in the domestic sugar price and improved operating efficiencies. Sugar production for the year was restricted to 374,600 tonnes, only marginally ahead of the previous year, but the average price received rose 35 per cent.

Mr. Leggo said it appeared that the sugar board would place no restrictions on production in the current year, and Pioneer estimated it would produce 425,000 tonnes.

Mr. A. Morgan, the managing director, said that in 1980-81 the company would derive the full benefit of recent high sugar prices.

Over the next 18 months prices should be high and Pioneer's cash flow healthy, Mr. Morgan said that after the recent acquisition of the control of Australian Interestate Pipe Line Company, the group was looking for other suitable diversifications, and that this could involve the acquisition of a big listed company active in the energy resource field. The aim is for Pioneer to be earning as much from other activities in five years time as from sugar.

In the latest year, the chemicals division posted a record contribution to group profit, of A$456,000. The stations division contributed A$629,000 compared with A$2.2m in the previous year.

PENDING DIVIDENDS

	Date	Announcement last year
AAH	July 23	Final 3.975
Airfix	July 12	Final 2.291
Alexanders Discount	July 16	Int. 4.5
*Assoc. News	July 16	Int. due
BAT Inds.	June 26	Final due
Bank Leumi (UK)	July 25	Int. 2.8
Barclays Bk.	July 26	Int. 8.25
*Birmid Qualcast	July 16	Int. 1.5
*Brown (John)	July 25	Final 10.235
Cawoods	July 26	Final 4.45
City Offices	July 31	Int. 1.3
Crown House	July 16	Final 2.5
Davy Corp.	July 28	Final 4.7
Distillers	July 19	Final 6.75
Dixons Photo	Aug. 1	Final 2.795
*Dowty	July 22	Final 5.0
Ferguson Ind.	Aug. 3	Final 3.6
Fitch Lovell	July 26	Final 3.268
GEC	July 5	Final 4.0
Gestetner	July 18	Int. 2.5
Granada	June 20	Int. 1.44
GUS	July 19	Final 5.471
*Greene King	July 3	Final 6.0
Guodlays	July 31	Int. 1.062
*Haslemere Estates	July 17	Final 3.27
Heron Motor	July 17	Final 0.92
Hugo Robinson	July 17	Final 2.24
Hoover	Aug. 2	Int. 5.51
Illingworth Morris	July 18	Final 1.15
*IC Gas	July 1	Final 12.0
*Imperial	July 10	Int. 2.75
Inchcape	July 26	Final 10.0
Initial Services	July 20	Final 4.0
Lex Service	July 31	Int. 2.8
Lindustries	June 21	Final 6.6
*Lloyds Bank	July 18	Int. 8.25
*Lond. & Midland Ind.	July 8	Final 4.1
Lonrho	July 29	Int. 2.64
*Magnet and Southerns	July 15	Final 8.0
*Meyer (M. L.)	July 14	Final 3.75
Midland Bk.	July 27	Int. 7.5
NatWest	July 24	Int. 7.25
News Intl.	June 25	Int. 3.0
*Norcross	June 27	Final 3.18
Nottingham Mnf.	July 30	Int. 1.C
*Rank Org.	July 14	Int. due
Ratners (Jewellers)	July 18	Final 1.525
Rentokil	Aug. 2	Int. 0.85
*Rothmans Intl.	July 8	Final 1.95
Rothschild Inv. Tst.	July 8	Final 7.0
*SGB	July 1	Int. 3.15
*Scot. & Newc. Brews.	July 3	Final 2.527
Shell Trans.	Aug. 1	Int. due
Taylor Woodrow	July 31	Int. 3.15
Thorn EMI	July 13	Final 9.4
Town and City Prop.	July 13	Final 0.01
Tricentrol	Aug. 2	Int. 2.5
Unigate	July 17	Final 3.2
*Union Discount	July 18	Int. 6.375
*Utd. Gas	July 10	Final 3.395
Vamena	July 31	Int. 3.0
Ward & Goldstone	Aug. 3	Final 4.092

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Knowsley (051 548 6555)	14	½-year	1,000	1

Public Works Loan Board rates

Effective from June 28

Years	Quota loans repaid by EPT	At	at maturity§	Non-quota loans A* repaid by EPT	At	at maturity§
Up to 5	13¼	13¼	13	14¼	13¾	13½
Over 5, up to 10	13¼	13¼	13¼	13¾	13¾	13¼
Over 10, up to 15	13½	13¼	13½	14	14¼	13¾
Over 15, up to 25	13½	13½	13½	14¼	14¼	13¾
Over 25	13½	13½	13½	14¼	14¼	13¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

BASE LENDING RATES

- A.B.N. Bank 17 %
- Allied Irish Bank 17 %
- American Express Bk. 17 %
- Amro Bank 17 %
- Henry Ansbacher 17 %
- A P Bank Ltd. 17 %
- ■ Arbuthnot Latham 17 %
- Associates Cap. Corp. 17 %
- Banco de Bilbao 17 %
- Bank of Credit & Cmce. 17 %
- Bank of Cyprus 17 %
- Bank of N.S.W. 17 %
- Banque Belge Ltd. 17 %
- Banque du Rhone et de la Tamise S.A. 17½%
- Barclays Bank 17 %
- Bremar Holdings Ltd. 18 %
- Brit. Bank of Mid. East 17 %
- ■ Brown Shipley 17 %
- Canada Perm't Trust 18 %
- Cayzer Ltd. 17 %
- Cedar Holdings 17 %
- ■ Charterhouse Japhet 17 %
- Choulartons 17 %
- C. E. Coates 17 %
- Consolidated Credits 17 %
- Co-operative Bank *17 %
- Corinthian Secs. 17 %
- The Cyprus Popular Bk. 17 %
- Duncan Lawrie 17 %
- Eagil Trust 17 %
- E. T. Trust Limited 17 %
- First Nat. Fin. Corp. 18½%
- First Nat. Secs. Ltd. 18 %
- Robert Fraser 17 %
- Antony Gibbs 17 %
- Greyhound Guaranty 17 %
- Grindlays Bank ‡17 %
- ■ Guinness Mahon 17 %
- ■ Hambros Bank 17 %
- ■ Hill Samuel §17 %
- C. Hoare & Co. †17 %
- Hongkong & Shanghai 17 %
- Industrial Bk. of Scot. 17½%
- Keyser Ullmann 17 %
- Knowsley & Co. Ltd. 19 %
- Langris Trust Ltd. 17 %
- Lloyds Bank 17 %
- Edward Manson & Co. 18 %
- Midland Bank 17 %
- ■ Samuel Montagu 17 %
- ■ Morgan Grenfell 17 %
- National Westminster 17 %
- Norwich General Trust 17 %
- P. S. Refson & Co. 17 %
- Rossminster 17 %
- Ryl. Bk. Canada (Ldn.) 17 %
- Schlesinger Limited 17 %
- E. S. Schwab 17 %
- Security Trust Co. Ltd. 18 %
- Standard Chartered 17 %
- Trade Dev. Bank 17 %
- Trustee Savings Bank 17 %
- Twentieth Century Bk. 17 %
- United Bank of Kuwait 17 %
- Whiteaway Laidlaw 17½%
- Williams & Glyn's 17 %
- Wintrust Secs. Ltd. 17 %
- Yorkshire Bank 17 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

CORAL INDEX: Close 482-487 (−2)

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −	Div. p or Amount	Times Covered	Gross Yield	P/E Ratio
65	F.P.	20/6	90	74	Home Farm Prods 10p	88	......	b2.9	2.5	4.7	12.1
—	F.P.	—	9	3	††Jenkin & Purser	9	......	—	—	—	—
‡85	F.P.	27/6	91	79	Oakwood Group	81	......	b6.5	2.4	11.5	5.6
100	F.P.	27/6	110	93	Peerless	95	......	b6.3	2.8	9.7	4.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
‡	F.P.	3/6	148	111	Automated Sec. 8% Cnv. Uns. Ln. '95	145	......
100	F.P.	—	99½	99	Can. Imp. Bk. of Commerce 11% Deb. 1995	99½	......
—	Nil	—	8½pm	8pm	Challenge Corp. 16pc Pref. NZ $2.20	8½pm	......
‡‡	F.P.	22/8	101	95	Cowie (T.) 10½% Conv. Red. Cum. Pref.	98	+1
100	F.P.	—	100¼	100	Daiei 8½% Conv. Bds. due 1995	100	−¼
‡	F.P.	4/9	102½	101½	Folkestone & District Water 10pcPref '85	102¼	......
‡‡	F.P.	—	67	63½	London & Midland Inds 8½ pc Deb. '89-94	67	......
‡	F.P.	30/5	102	99½	Mid Southern 10% Red Prf. 1985	101	......
	F.P.	19/6	117	107½	NSS Newsag'ts 10% Cnv. Uns. Ln. 1998-2000	116	−1½
	F.P.	27/6	107	101	North Brit. Props. 9¼% Cov. Uns. Ln. 1995	107	......
‡	F.P.	4/9	102½	101½	North Surrey Water 10pc Pref. 1985	102½	......
‡	£10	—	11½	11½	South Staff. Water 9½% Rd. Pf. '85	11½	......

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980 High	1980 Low	Stock	Closing Price p	+ or −
105	Nil	—	—	20pm	20pm	Astbury & Madeley	18½pm	......
115	Nil	4/7	1/8	24pm	17pm	Brown & Jackson	19pm	−1
100	Nil	3/7	7/8	43pm	34pm	Carless Capel	43pm	+1
66	Nil	29/5	4/7	100	80	Clifford's Dairies 'A'	98	−1
200	F.P.	—	—	778	573	Clyde Petroleum	618	+15
18	Nil	30/5	20/6	19½	17½	East Rand Cons.	18½	......
54	F.P.	11/6	23/7	65	61	Eleco	63	......
620	Nil	—	—	62½pm	25pm	Harrison & Crosfield	25pm	−15
40	Nil	30/6	18/7	47	41½	Hawley Leisure	42½	+1½
265	Nil	—	—	70pm	44pm	Land Securities	60pm	−4
118	F.P.	3/6	18/7	151	124	Linfood	150	......
126	Nil	—	8/8	147pm	127pm	Lloyds & Scottish	147pm	......
60cts	Nil	—	—	455pm	180pm	Pancontinental	320pm	......
98	F.P.	20/6	18/7	150	128	Silverminès	147	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. *pt* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.60 per unit. † Dealings under special rule.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

CURRENCIES, MONEY and GOLD

Sterling's familiar pattern

BY COLIN MILLHAM

Foreign exchange dealers have seen a familiar pattern in sterling trading over the last few weeks. The pound has been basically strong, and the reasons for this have not changed since last year. Steadily rising oil prices and the Government's strategy based on monetary policy have combined to keep sterling much higher than Britain's economic performance seems to indicate.

It has long been a complaint from industry that if only the pound were on the lower side of $2 the job of competing in ever more difficult world markets would be made tolerable.

The pattern which has developed recently is for sterling to weaken each Tuesday, where the market is dealing for Thursday delivery. The pound continues to be sold on Thursday *morning, ahead of the weekly* announcement from the Bank of England on Minimum Lending Rate, only to recover later in the day. Market sentiment is very much on the side of a cut in MLR, and has been encouraged in this not only by the cries of anguish from manufacturers and exporters, but by events in the U.S. and Europe.

However firm the authorities are in the desire to control money supply by interest rate policy, the market is now convinced that a reduction in MLR *is not far away.*

On the old formula, related to the weekly Treasury bill tender, MLR would be no more than 16¾ per cent, reflecting the downward trend in London money market rates.

In New York and various parts of Europe interest rates have fallen steadily, and in the case of the U.S. quite sharply. A cut in the Bank of Japan's discount rate would come as no surprise, while a similar move from the German Bundesbank is also expected. The U.S. Federal Reserve and the central banks in the Netherlands and Belgium have already acted in this way.

Despite the selling, sterling remains around $2.35, and dealers do not expect any sharp fall even if MLR is reduced.

GOLD

	June 27		June 26	
Gold Bullion (fine ounce)				
Close	$656-659	(£278¾-272)	$622-625	(£265½-266¾)
Opening	$624-627	(£266-267½)	$618-621	(£265¼-258¾)
Morning fixing	$631.50	(£269.259)	$623.25	(£267.237)
Afternoon fixing	$637.50	(£270.582)	$624.50	(£265.071)
Gold Coins				
Krugerrand	$654-656	(£275¼-270½)	$641½-644½	(£274-276)
Mapleleaf	$652-655	(£276-276½)	$640-643	(£272¾-274½)
New Sovereigns	$160-161½	(£68¼-69¼)	$157½-158½	(£67¼-66¾)
King Sovs	$180-182	(£76¾-77½)	$178-180	(£76-77)
Victoria Sovs	$180-182	(£76½-77½)	$178-180	(£76-77)
French 20s	$158-161		$156-161	
50 pesos Mexico	$776-786		$766-771	
100 Cor. Austria	$625-650		$609-614	
$20 Eagles	$729-735		$714-717	
$10 Eagles	—		—	
$5 Eagles	—		—	

OTHER CURRENCIES

June 27	£	$		£ Note Rates
Argentina Peso	4359-4359	1848-1855	Austria	98.20-29.50
Australia Dollar	2.0290-2.0330	0.8645-0.8650	Belgium	66.20-66.70
Brazil Cruzeiro	122.60-123.60	52.115-59.315	Denmark	12.76-12.86
Finland Markka	8.55½-8.56½	3.6370-3.6385	France	0.58-9.66
Greek Drachma	08.214-104.239	43.65-42.80	Germany	4.12½-4.15½
Hong Kong Dollar	11.56-11.58	4.0260-4.9280	Italy	1020-1970
Iran Rial	n.a.	n.a.	Japan	509-514
Kuwait Dinar KD	0.623-0.620	0.2657-0.2668	Netherlands	4.52-4.55
Luxembourg Frc.	66.25-66.35	28.94-28.26	Norway	11.30-11.39
Malaysia Dollar	5.0350-5.0450	2.1445-2.1465	Portugal	111¼-115
New Zealand Dlr.	0.3750-3.3800	1.0115-1.0125	Spain	159½-166
Saudi Arab. Riyal	7.77-7.83	3.3200-3.3310	Sweden	9.72-0.80
Singapore Dollar	4.9700-4.9800	2.1175-2.1105	Switzerland	3.80½-3.85½
Sth. African Rand	1.8070-1.8095	0.7700-0.7710	United States	2.348-2.357
U.A.E. Dirham	8.65-8.71	3.7010-3.7030	Yugoslavia	62½-67

Rate given for Argentina is free rate

THE DOLLAR SPOT AND FORWARD

June 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3410-2.3540	2.3465-2.3475	1.63-1.53c pm	8.08	4.23-4.13pm	7.12
Ireland†	2.1120-2.1220	2.1200-2.1220	1.55-1.45c pm	8.49	4.27-4.17pm	7.96
Canada	1.1487-1.1492	1.1487-1.1490	0.37-0.42c dis	−4.12	0.57-0.62dis	−2.70
Nethlnd.	1.9315-1.9375	1.9320-1.9335	0.08-0.18c dis	−0.81	0.45-0.55dis	−1.03
Belgium	28.24-28.26	28.24-28.26	10-11½c dis	−4.57	29-32 dis	−4.32
Denmark	5.4460-5.4795	5.4665-5.4630	3½-4ore dis	−8.23	10½-11 dis	−7.88
W. Ger.	1.7625-1.7665	1.7635-1.7645	0.05pf pm-0.05 dis	—	0.05pm-0.05dis	—
Portugal	48.80-49.00	48.83-48.93	33-48c dis	−0.94	70-120 dis	−7.77
Spain	70.10-70.22	70.12-70.15	40-55c dis	−8.13	140-160dis	−8.55
Italy	838-845	842-844	15-10lire dis	−24.20	35-40 dis	−17.79
Norway	4.8425-4.8510	4.8430-4.8445	par-0.50ore dis	−0.62	0.40-0.90dis	−0.54
France	4.0965-4.1035	4.0970-4.0990	1.02-1.12c dis	−3.13	3-3.20 dis	−3.02
Sweden	4.1570-4.1616	4.1575-4.1590	1.70-2ore dis	−5.34	5.20-5.50dis	−5.15
Japan	217.30-217.85	217.45-217.55	0.50-0.65y dis	−3.17	1.35-1.5dis	−2.62
Austria	12.52½-12.54	12.52½-12.53½	1.20-1.80gro dis	−1.53	2.75-4.50dis	−1.16
Switz.	1.6245-1.6325	1.6270-1.6280	0.57-0.49c pm	3.01	1.56-1.48 pm	3.73

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

June 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3410-2.3540	2.3465-2.3475	1.63-1.53c pm	8.08	4.23-4.13 pm	7.12
Canada	2.6920-2.7055	2.6965-2.6985	0.94-0.84c pm	3.96	3.40-3.30 pm	4.97
Nethlnd.	4.52½-4.56	4.53-4.54	3¼-2¼c pm	7.28	7½-6½ pm	6.77
Belgium	65.10-66.50	66.25-66.35	25-15c pm	3.62	55-45 pm	3.02
Denmark	12.83-12.88	12.83-12.84	¼ore pm-1½ dis	−0.52	2-4½ dis	−0.95
Ireland	1.1055-1.1100	1.1070-1.1080	0.03p pm-par	0.16	0.10-0.13 pm	0.58
W. Ger.	4.13-4.16	4.13½-4.14½	3½-2½ pf pm	7.61	8-7 pm	7.25
Portugal	114.20-115.20	114.65-114.85	par-40c dis	−2.09	40pm-85dis	−0.78
Spain	164.00-165.00	164.50-164.70	20c pm-35 dis	−0.55	30-100 dis	−1.58
Italy	1960-1983	1971-1978	10½-21½lire dis	−12.46	42¼-44¼dis	−6.77
Norway	11.35-11.40	11.36½-11.37½	8-6½ ore pm	7.52	10½-17¼ pm	6.53
France	9.60-9.65	0.61-0.62	4¼-3¼c pm	5.30	10½-9½ pm	4.16
Sweden	0.74-9.80	9.77-0.78	2½-1¼ ore pm	2.53	5-4½ pm	1.89
Japan	508-512	510-511	2.20-1.65y pm	4.52	6.15-5.65 pm	4.62
Austria	29.30-29.55	29.39-29.44	18-14gro pm	6.53	47-40 pm	5.91
Switz.	3.80-3.84	3.81½-3.82½	4¼-3¼c pm	11.78	10¼-9¼ pm	10.73

Belgian rate is for convertible francs. Financial franc 66.55-66.65. Six-month forward dollar 6.20-6.15c pm. 12-month 9.40-9.30c pm.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 27)

3 month U.S. dollars		6 month U.S. dollars	
bid 07/16	offer 09/16	bid 9 11/16	offer 0 13/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

June 27	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	—	9½-0¾	12½-14½	10⅝-10⅞	30-35	0½-0⅞	12½-13¾	50-80	8⅝-9½	13-13½
7 days' notice	17½-18½	0½-9⅜	12½-14½	10⅝-10⅞	3-3½	0⅝-8¾	10½-18¾	35-56	0⅛-9⅛	13-13½
Month	17½-17⅞	9¾-9⅞	12⅝-12¼	10½-10⅝	5⅝-5¾	0½-0⅝	12⅝-12⅞	30-35	0⅝-0¾	12⅞-13
Three months	16⅞-17⅛	9½-9½	11⅛-11½	10¼-10⅜	5⅝-5¾	9⅛-0⅛	12⅝-12⅝	24-27	8⅝-8½	11⅞-12
Six months	15⅞-15	9⅛-9	10⅞-11⅛	10⅜-10½	5⅝-5⅝	8¾-9	12⅜-12⅝	21½-03½	9⅝-9¾	10¾-11
One Year	14⅞-14⅞	0½-9½	10½-10½	10½-10¼	5⅛-5¼	8⅛-8⅛	12½-12¾	19½-21	9⅛-9⅛	9½-9½

The following nominal rates were quoted for London dollar certificates of deposit: one-month 8.95-9.05 per cent, three-months 8.95-9.05 per cent; six-months 8.90-9.00 per cent; one year 8.95-9.05 per cent.

Long-term Eurodollar two years 10⅛-10⅞ per cent; three years 10⅛-10⅞ per cent; four years 10⅞-11 per cent; five years 10⅞-11¼ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

LONDON MONEY RATES

June 27 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	17-20	—	—	—	—	14-17	—	—	—
2 days notice	—	—	17⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	17⅝-17⅞	17⅞	—	18¼	18	16⅞-17	—	—	—
One month	17½-17⅝	17⅛-17⅛	17½-17¾	18⅝-18¾	17⅞	17⅞	16¼	15⅞-15⅞	17⅛-17¼	18
Two months	17⅛-17⅛	17⅛-17⅛	—	18¼-18⅝	17⅝	—	16⅝	15⅞-16⅛	16¾	17½
Three months	16⅞-16⅞	16⅞-17	16¾-17	17¼-17¾	17¼	17½	16-16⅛	15⅞-15⅞	16⅛	16¾
Six months	15⅞-15⅝	15⅞-15⅞	15¼-15⅝	15⅝-15⅝	16	17⅜-17⅛	—	—	14⅝-14⅞	15⅝
Nine months	14⅞-14⅞	14⅝-14⅝	—	15⅛-15⅝	16	16¼	—	—	—	—
One Year	14⅛-15⅛	14⅛-14⅛	13⅞-14½	14⅝-14¾	14¾	15¾	—	—	—	—
Two years	—	—	13⅞-14⅛	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rate nominally three years 13⅝-13⅞ per cent; four years 13⅝-13⅞ per cent; five years 13⅝-13⅞ per cent. ◆Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15⅝ per cent; four-month trade bills 16¾ per cent.

Approximate selling rate for one-month Treasury bills 15⅞-15⅞ per cent; two-months 15⅞-15⅞ per cent; three-months 15⅞-15⅞ per cent. Approximate selling rates for one-month bank bills 17⅛-17⅛ per cent; two-months 16⅝ per cent; three-months 16⅛-16⅛ per cent; one-month trade bills 17⅞ per cent; two-months 17½ per cent and three-months 16½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17½ per cent from June 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 15.6801 per cent.

CURRENCY RATES

June 27	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.563927	0.607753
U.S. $	11	1.38162	1.43642
Canadian $	10.63	1.61894	1.63755
Austria Sch.	6¾	16.5810	17.8962
Belgian F.	15	57.3457	40.2753
Danish K.	13	7.24116	7.79278
D'Mark	7½	2.53306	2.51473
Guilder	9½	2.55800	2.75691
French Fr.	9½	6.42029	5.84138
Lira	15	1110.16	1187.36
Yen	8	287.452	310.158
Norwgn. Kr.	9	6.41315	6.90404
Spanish Pts.	8	92.7349	100.043
Swedish Kr.	10	5.49953	5.93432
Swiss Fr.	3	2.12120	2.31817

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	48.8	52.5	−0.5	1.98
Abbey Capital	38.5	41.6	−0.2	6.65
Abbey General	50.1	53.6	−0.3	5.81
Abbey Gilt & F.I. Tst.	108.2	113.9	−0.1	9.42
Abbey Income	45.7	49.0xd	−0.2	8.17
Abbey Inv. Bd. Tst.	94.6	100.1xd	−0.2	5.49
Abbey Inv. Tst. Fnd.	41.0	44.3	.....	5.77
Equitas Prog. Trust	73.6	79.6	−0.4	5.63

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt & Pref.	88.6	94.5	.....	13.93

Allied Hambro Ltd. (a) (b)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	81.0	86.7	−0.3	6.11
Brit. Inds. Fund	71.4	76.4xd	−0.3	6.81
Growth & Income	44.9	48.0	−0.2	5.79
Elect. & Ind. Dev.	39.5	42.3	−0.2	5.79
Allied Capital	82.8	88.4	−0.2	5.25
Hambro Fund	122.0	130.5xd	−0.4	6.65
Hambro Acc. Fund	153.7	164.5	−1.1	5.74
Income Funds				
High Yield Fd.	66.2	70.8	−0.2	10.24
High Income	72.4	77.5	−0.3	7.87
A. H. Eq. Inc.	42.7	45.7	−0.1	7.94
Govt. Secs.	25.2	25.9	.....	8.69
International Funds				
International	29.6	31.7	−0.1	3.41
Pacific Fund	50.4	53.9	−0.2	2.28
Secs. Of America	59.1	63.2xd	−0.4	2.85
Specialist Funds				
Smaller Co.'s Fd.	50.1	53.6	+0.1	4.76
2nd Smlr. Co's Fd.	57.7	61.7	.....	4.86
Recovery Sits.	118.8	127.1	−0.6	6.57
Met. Min. & C'dty.	60.8	65.1	−0.2	4.53
Overseas Earnings	60.3	64.5xd	−0.1	5.97
Exempt Funds				
Far East Exempt	56.7	59.0xd	−0.1	3.09
Smaller Co. Exempt	76.1	79.9	−0.2	5.01
U.S.A. Exempt	103.4	107.5	−0.5	3.26

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	58.5	62.7	.....	5.08

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-623 6376

Inc. Monthly Fund	130.0	140.0	.....	12.00

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital†	26.6	[illegible]	.....	—
Commodity***	88.9	[illegible]	.....	2.85
(Accumulation)	137.5	[illegible]	.....	2.85
(10% Withdrawal)	69.5	[illegible]	.....	2.85
Export & Internat.†	31.5	[illegible]	.....	1.00
(6% Withdrawal)	22.6	[illegible]	.....	1.00
Extra Income	95.1	[illegible]	+0.1	10.44
(Accumulation)	106.0	[illegible]	+0.1	10.44
Finance & Property*	23.1	[illegible]	.....	4.26
Foreign††	107.4	[illegible]	+0.9	1.00
Gilts	40.0	[illegible]	+0.2	3.61
(Accumulation)	50.0	[illegible]	+0.2	3.61
Gilt & Fixed	43.2	[illegible]	−0.1	11.47
(Accumulation)	44.2	[illegible]	−0.1	11.47
Growth	37.3	40.2	+0.1	3.70
(Accumulation)	47.3	50.8	+0.1	3.70
High Income	37.0	40.3	.....	9.05
(Accumulation)	58.1	63.2	−0.1	9.05
(8½% Withdrawal)	49.2	53.5	−0.1	9.05
High Yield	43.5	47.3xd	+0.1	10.45
(Accumulation)	72.8	79.2xd	+0.3	10.45
North American††	30.7	33.1xd	+0.1	1.00
Preference	22.4	24.4	.....	13.50
(Accumulation)	41.0	44.6	.....	13.50
Smaller Companies*	30.0	32.2	.....	4.99

Dealings: †Tues. *Wed. ††Thurs. ***Friday.

Emson & Dudley Tst. Mngmt. Ltd.
28b Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	74.1	79.7	.....	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	78.8	82.9	−0.6	5.15

Fidelity International Management Ltd.
62-63, Queen St., London, EC4R 1AD. 01-248 4891

American	23.9	25.7	−0.2	1.00
Fixed Interest	24.9	26.7	.....	12.88
Growth + Income	30.0	32.3xd	−0.2	7.73
Special Sits.	30.3	32.6	−0.2	2.84

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	29.5	31.7	.....	2.18
Accum. Units	36.3	39.0	.....	2.18
J. Finlay High Income	33.5	36.0	.....	10.03
J. Finlay Euro.Fin.	21.4	23.0	.....	4.00
Accum. Units	26.7	28.7	.....	4.00
J. Finlay Fd.In.Tst.	34.8	37.4	.....	5.42
Accum. Units	42.9	46.2	.....	5.42

Prices on June 25. Next dealing July 2.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

American June 26	51.8	55.4	.....	1.19
Am.T'around June 23	50.0	53.4xd	.....	2.29
Capital Tst.	54.2	57.8	.....	5.52
(Accum. Units)	54.8	58.4	−0.2	5.52
Extra Income Trust	49.2	52.6	−0.2	10.68
Income Tst.	37.2	39.6xd	−0.2	8.52
Int. Growth Fd.	45.0	48.0	−0.2	2.36
(Accum. Units)	48.0	51.2	.....	2.35

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Units	53.5	57.2	.....	4.70
Do. Accum.	75.5	80.7	.....	4.70

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital June 19	125.9	127.6	.....	5.23
Gross Inc. June 19	75.6	78.1xd	.....	11.65
High Yield June 19	91.3	93.3	.....	10.14

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Income	123.1	130.9	+2.9	—
Do. Acc.	154.7	164.5	+3.6	3.20
G.T. Inc. Fd. Un.	178.1	189.4	+4.4	8.80
G.T. U.S. & Gen.	138.6	146.6	+1.7	2.50
GT Wld. Bd. Fd.	94.0	97.9	−0.3	5.60
G.T. Japan & Gen.	76.9	81.3	−0.8	2.90
Gt. Pens. Ex. Fd.	260.8	274.5	+6.1	2.70
G.T. Int'l. Fund	188.6	200.6	+2.0	2.20
G.T. Four Yds. Fd.	50.4	53.6	+1.0	8.20
G.T. Far East & Gen.	58.5	62.8	−1.0	3.40

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood. (0277) 227300

G. & A.	39.2	41.9	−0.1	5.56

Gartmore Fund Managers♥ (a)(g)
2 St. Mary Axe, EC3A 8BP 01-623 6114
Dealing only: 01-623 5766/5806

American Trust	27.4	29.4xd	.....	0.92
British Tst. (Acc.)	67.5	72.6	−0.6	3.86
Commodity Share	44.3	47.7xd	.....	3.18
Extra Income Tst.	21.9	23.6	.....	10.25
Far East Trust	36.4	39.2	+0.5	1.97
High Income Tst.	53.3	56.9	−0.3	10.74
Income Fund	77.5	83.9	−0.1	7.01
Ins. Agencies	£15.69	16.66	−0.05	4.59
Intl. Exempt Fd.	102.0	110.9	−0.6	5.57
Intl. Tst. (Acc.)	38.5	41.4	.....	1.71
Special Sits. Tst.	28.8	30.4	−0.1	2.24

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)
3 Frederick's Pl., Old Jewry, EC2 01-588 4111

Extra Income	27.9	30.4	−0.2	10.90
Income	39.7	43.2	−0.1	10.40
Accumulation	79.9	86.9	−0.2	5.90
Growth	45.9	49.9xd	+0.3	4.70
UK Mkt. Leaders	51.3	55.2xd	+0.1	5.20
Small Co's	39.8	43.3	.....	6.90
Technology	63.5	69.8	+0.6	6.20
Private	47.0	51.1	+0.7	5.10
Intl. Ems. & Assets	51.6	56.1xd	.....	5.60
American	25.5	27.8xd	−0.2	2.10
Far East & Gen.	34.5	37.5	+0.1	2.00

Govett (John)♥
77 London Wall, EC2 01-588 5620

ManuLife Management Ltd.
St. George's Way, Stevenage. 0438 56101

Growth Units	72.8	76.6	+0.3	4.63

Mayflower Management Co. Ltd.
14-18, Gresham St., EC2V 7AU. 01-606 8099

Income June 23	108.4	114.1	.....	9.07
General June 23	73.2	77.0	.....	6.29
Intnl. June 23	47.8	50.3	.....	3.37

Mercury Fund Managers Ltd.
30, Gresham St., EC2P 2EB. 01-600 4555

Mrc. Gen. June 25	56.3	59.2	.....	5.81
Acc. Uts. June 25	78.5	83.5	.....	5.81
Mer. Int. June 25	76.7	81.6xd	.....	3.76
Acc. Uts. June 25	87.8	93.4	.....	3.76
Merc. Ext. June 26	70.0	72.9	+4.6	5.86
Accum. Units June 26	89.9	93.4	+5.8	5.86

Midland Bank Group Unit Trust Managers Ltd.♥ (a)
Courtwood House, Silver Street, Head, Sheffield, S1 3RD. Tel: 0742 79842

Commodity & Gen.	[illegible]	[illegible]	+0.3	3.96
Acc. Uts. June 27	[illegible]	[illegible]	+0.3	3.96
Overseas Growth	[illegible]	[illegible]	.....	2.45
Do. Accum.	[illegible]	[illegible]	−0.1	2.45
Capital	[illegible]	[illegible]	−0.1	4.71
Do. Accum.	[illegible]	[illegible]	.....	4.71
Income	[illegible]	[illegible]	−0.2	7.34
Do. Accum.	[illegible]	[illegible]	−0.3	7.34
North American	[illegible]	[illegible]	−0.4	3.30
Do. Accum.	[illegible]	[illegible]	−0.4	3.30
High Yield	[illegible]	[illegible]	−0.4	9.95
Do. Accum.	[illegible]	[illegible]	−0.4	9.95
Equity Exempt*	[illegible]	[illegible]	.....	5.51
Do. Accum.*	[illegible]	[illegible]	.....	5.51
Japan & Pacific	39.7	[illegible]	−0.1	1.50
Do. Accum.	40.2	[illegible]	−0.1	1.50

*Prices at June 27. Next dealing July 4.

Minster Fund Managers Ltd.
Minster Hse., Arthur St., EC4R 9BH 01-623 1050

Minster June 16	39.8	41.8	.....	7.08
Exempt May 30	92.7	96.7	.....	6.95

MLA Unit Trust Mngmnt. Ltd.
Old Queen Street, SW1A 9JG. 01-222 8177

MLA Units	64.0	67.2	.....	4.64

Stewart Unit Tst. Managers Ltd.(a)
45, Charlotte Sq., Edinburgh. 031-226 3271

†Stewart American Fund				
Standard Units	64.6	68.8	.....	1.98
Accum. Units	71.0	75.7	.....	—
Withdrawal Units	45.4	48.5	.....	—
*Stewart British Capital Fund				
Standard	161.3	171.5	.....	6.75
Accum. Units	186.4	198.3	.....	6.75

Dealing †Tues. & Fri. *Wed.

Sun Alliance Fund Mngt. Ltd.
Sun Alliance Hse., Horsham. 0403 64141

Exp. Eq. June 11	£279.20	293.90	.....	5.53
♥The Family Fd.	123.4	131.2	−0.3	5.08

Target Tst. Mngrs. Ltd.♥(a)(g)
31, Gresham St., E.C.2. Dealings: 0296 5941
19, Athol Crescent, Edin. 3. 031-229 8621/2

Commodity	[illegible]	[illegible]	+0.2	2.56
Energy	[illegible]	[illegible]	.....	2.96
Financial	[illegible]	[illegible]	−0.1	4.36
Gilt Accum.	[illegible]	[illegible]	−0.3	3.50
Investment Trust	[illegible]	[illegible]	+0.2	4.19
Special Situations	[illegible]	[illegible]	−0.2	4.45
American Eagle	[illegible]	[illegible]	−0.1	1.35
Pacific Income	[illegible]	[illegible]	−0.1	2.15
Pacific Accum.	[illegible]	[illegible]	−0.1	2.18
Income	[illegible]	[illegible]	.....	10.75
Extra Income	[illegible]	[illegible]	.....	12.77
Preference Share	[illegible]	[illegible]	.....	13.39
Equity	[illegible]	49	−0.4	6.72
Income and Growth	[illegible]	[illegible]	.....	6.45
Growth	[illegible]	[illegible]	.....	4.44
Pr'f's'n'l June 25	[illegible]	[illegible]	.....	4.99
Eqty. Ex. Inc.	[illegible]	[illegible]	.....	6.81
Equity Ex. Accum.	[illegible]	[illegible]	.....	6.81

Tower Unit Trust Mngt. Ltd.
39/45 Finsbury Square, EC2A 1PX 01-628 2294

Income & Growth	21.0	22.1	.....	9.43
Special Situations	28.5	29.9xd	+0.2	2.65

Trades Union Unit Tst. Managers♥
100, Wood Street, E.C.2. 01-628 8011

TUUT June 2	52.6	56.0	.....	6.32

Transatlantic and Gen. Secs.♥ (c)(y)
91-99, New London Rd., Chelmsford. 0245 51651

Barbican June 26	84.3	89.4	.....	6.85
(Accum. Units.)	138.7	147.1	.....	6.65

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

LOANS—Continued

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

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INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

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[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

—		Anglo-Dominion	140	—	—	—	—
—		Barymin	58	—	—	—	—
May		Burma Mines 10p	15	14.4	0.62	1.1	6.0
Aug.	Feb.	Cons. Murch. 10c.	320	28.12	hQ30c	1.8	18.6
—		††Hemerdon 10c.	125	—	—	—	—
—		Northgate C$1	385	97.7	—	—	—
Jan.	July	R.T.Z.	423	12.5	15.0	3.2	5.1
—		Robert Mines	23	—	—	—	—
—		Sabina Inds. C$1	29	—	—	—	—
—		††SWCM 10p	50	—	—	—	—
—		Tara Exptn. $1	450	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on *half-yearly* figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ⊖ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ψ Excluding a final dividend declaration.
- ♧ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F *Dividend* and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and *yield based* on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M *Dividend* and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	30	......	Conv. 9% '80/82	£90½	—
Bertam	16	......	Nat. 9¾% 84/89	£75½xd	—
Bdg'wtr. Est. 50p	415	......	Fin. 13% 97/02	£90⅞	−⅛
Clover Croft	68	......	Alliance Gas	43	......
Craig & Rose £1	£10½	......	Arnott	345	......
Fife Forge	52½	......	Carroll (P.J.)	57xd	—
Finlay Pkg. 5p	18	......	Clondalkin	117	−3
Graig Ship. £1	£15	......	Concrete Prods.	75	......
Higsons Brew.	75	......	Helton (Hldgs.)	32	......
Holt (Jos) 25p	258	......	Ins. Corp.	246	......
I.O.M. Stm. £1	190	......	Irish Ropes	45	......
Pearce (C. H.)	425	......	Jacob	32	......
Peel Mills	40	......	T.M.G.	90	+5
Sheff. Refrshmt	103	......	Unidare	90	......
Sindall (Wm.)	143	......			

OPTIONS

3-month Call Rates

Industrials					
		I.C.I.	27	Utd. Drapery	6½
A. Brew	7	"Imps"	6½	Vickers	12
BOC Intl.	6	I.C.L.	14	Woolworths	5½
B.S.R.	4½	Inveresk	4	**Property**	
Babcock	8	Ladbroke	15	Brit. Land	7
Barclays Bank	34	Legal & Gen.	15	Cap. Counties	9
Beecham	10	Lex Service	8	Land Secs.	24
Blue Circle	25	Lloyds Bank	24	MEPC	17
Boots	16	"Lofs"	3½	Peachey	13
Bowaters	15	London Brick	6	Samuel Props.	12
B.A.T.	29	Lucas Inds.	17	Town & City	2
Brown (J.)	6	"Mems"	14	**Oils**	
Burton 'A'	10	Mrks. & Spncr	8	Brit. Petroleum	32
Cadburys	5½	Midland Bank	26	Burmah Oil	20
Courtaulds	8	N.E.I.	5	Charterhall	10
Debenhams	8	Nat. West. Bank	27	KCA	11
Distillers	17	P & O Dfd.	10	Premier	15
Dunlop	7½	Plessey	14	Shell	35
Eagle Star	15	Racal Elect.	22	Tricentrol	40
F.N.F.C.	2¼	R.H.M.	4½	Ultramar	35
Gen. Accident	21	Rank Org.	15	**Mines**	
Gen. Electric	38	Reed Intnl.	16	Charter Cons.	14
Glaxo	18	Sears	5	Cons. Gold	45
Grand Met	12	Tesco	6	Lonrho	8
G.U.S. 'A'	34	Thorn	23	Rio T. Zinc	35
Guardian	23	Trust Houses	12		
G.K.N.	30	Tube Invest.	23		
Hawker Sidd	15	Unilever	40		
House of Fraser	15	U.D.T.	5½		

"Recent Issues" and "Rights" Page 24

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES
Monday June 30 1980

LONDON BUSINESS SCHOOL FORECASTERS SAY:

'No repeat of '30s slump'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

WHILE THE recession in the UK will be sharper and slightly longer than previously expected there should be no repetition of the prolonged slump of the 1930s, according to London Business School (LBS) forecasters.

World output and trade should recover in 1982-83 and activity and consumer-spending in the UK should also be expanding again after the end of next year. But output will not return to its pre-Budget levels until the end of 1982 and unemployment is still likely to be rising during 1983, LBS says in its Economic Outlook.

There is greater comfort for the Government in the school's forecast that, if the monetary targets of the medium-term financial strategy are observed, the annual inflation rate should be below 8 per cent by the end of 1982.

The adoption of such a medium-term strategy has been advocated previously by the school's Centre for Economic Forecasting — both when Prof. Terry Burns, now the Chancellor's chief economic adviser, was its director, and currently under Dr. Alan Budd, his successor at the centre.

The new Economic Outlook examines various criticisms of the strategy. It concludes that the monetary objectives are consistent with the projected path for public-sector borrowing and that they will succeed in reducing the inflation rate, though the process is slow.

However, the school says the reduction in public-sector borrowing in 1980-81 proposed in the Budget was unnecessary in terms of the overall monetary objectives. It has also been a mistake to load so much of the burden of adjustment on to the corporate sector.

The latest Economic Outlook presents a gloomy view of the short-term prospects for the company sector. Company profits (after excluding the rise in value of stocks and North Sea oil operations) are projected to fall by more than a half this year. The company sector as a whole may have a financial deficit, after all outgoings, of about £8bn, both this year and next.

The National Institute of Economic and Social Research was recently even more pessimistic. It projected a fall in profits this year of more than two-thirds, and a company-sector deficit of £10bn in 1980.

Some other economists now believe these projections could be too gloomy. This is because industry has been taking anticipatory action to avoid such a financial squeeze, shedding labour and cutting stocks and investment more rapidly than expected. This is likely to be at the cost of an even sharper immediate fall in output and employment.

The other main feature of the latest Business School forecasts is the projection that the current account of the balance of payments should move into surplus next year in contrast to previous expectations of a continuing deficit.

Details Page 5. Lombard Page 12. The Month the Orders Dried Up, Page 14.

COMPARISON OF FORECASTS

PERCENTAGE CHANGE FROM PREVIOUS YEAR

		London Business School	National Institute
Gross domestic product	1980	−2.3	−1.1
	1981	−0.4	0.6
Consumer spending	1980	0.2	2.4
	1981	−0.5	1.1
Real disposable incomes	1980	0.9	2.1
	1981	−1.8	1.2
Consumer prices	1980	18.2	17.2
	1981	15.5	14.9
Adult unemployment*	1980	1.5	1.6
	1981	1.84	1.96

* Both forecasts for Great Britain. Business Schools' is an annual average and National Institutes' is for the fourth quarter.

BSC head prepares for new challenge

By Hazel Duffy, Industrial Correspondent

THE DRAMATIC decline in the underlying demand for steel over the past few weeks will be the prime consideration for Mr. Jim MacGregor, who takes over as chairman of the British Steel Corporation (BSC) tomorrow, when formulating his proposals for submission to the Government.

BSC economists forecast that the market for steel this year will be between 7 and 8 per cent down on 1979, and there will be a further drop of this magnitude next year. It therefore looks as though it will be 1983 before the steel industry can expect a hint of a revival in demand.

The Corporation's ability to win a reasonable share of the existing market will become clear over the next month or so giving Mr. MacGregor more solid information on the likelihood of BSC justifying the 15m-tonne output target which has been set for 1980-81. Imports of steel were much higher in April than in the months before the strike, and are believed to have been high again in May.

The question of further economies will therefore be high on the new BSC chairman's list of priorities in working out a plan to improve its desperate financial situation. This must include the possibility of further cutbacks at Llanwern or Port Talbot in South Wales, and possibly at Scunthorpe.

Other areas which offer scope for rationalisation include the re-rolling facilities for the production of wire rod, where BSC has a new mill at Scunthorpe and several older mills. Talks have been limping along for nearly a year with GKN, which also has a new rod mill in South Wales and some older facilities. Progress has been slow, although both parties are now considering a report prepared by a joint working party.

Christian Tyler adds: The Corporation will this week be told by the biggest steel union that it should cut its prices by a substantial amount in order to win back customers lost before and since the 13-week strike earlier this year.

The Iron and Steel Trades' Confederation will also repeat its demand that the BSC's accounts be thoroughly overhauled to reveal what it claims is an underlying operating profit.

THE LEX COLUMN

A hard course to steer

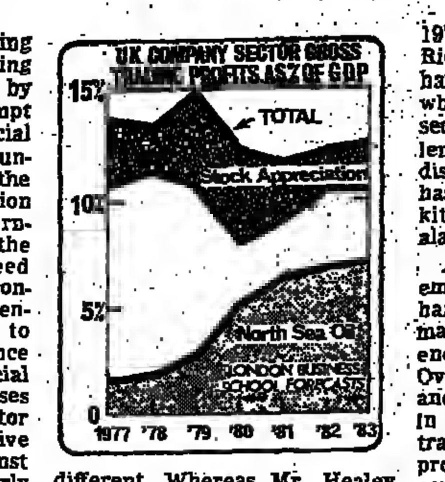
This week's Cabinet meeting on public sector overspending will be the first but will not, by any means, be the last attempt to rescue this year's financial projections. As last week's unsurprising "shock" from the British Steel Corporation showed, recessions cost Governments money. Not only do the public sector's lame ducks need even more bailing out as conditions get tougher, but expenditure tax takes are liable to falter as consumer confidence weakens and of course the social security bill inevitably rises steeply. A crucial further factor is that the so-called relative price effect tends to act against the public sector in the early stages of a recession because public sector pay is almost insensitive to market conditions and is liable to be still forging ahead while private sector workers are being forced to tighten their belts.

It is difficult for Governments to give too much of a hostage to fortune by writing a big relative price effect into their budgets, and the public spending White Paper in March suggested that the RPE this year would be a modest 0.75 per cent. As for social security, the Government has only budgeted for a rise of about 2 per cent in real terms, though admittedly within that total unemployment benefits are budgeted to rise much more sharply.

The last major recession in 1974-75 provided a dramatic example of the hazards that can overtake public sector financing. In that financial year the public sector borrowing requirement was originally forecast at £2.7bn. By the time the Labour Government won the second General Election in the autumn, it was clear that the original projections were being swamped by a public sector pay explosion. And in the emergency November Budget the Government had to offer industry stock relief in order to save it from ruinous corporation tax payments in January.

The new projection for the public sector borrowing requirement was £6.3bn, and this was still optimistic compared with the final out-turn, which was just short of £8bn. Translated into 1980 money, Mr. Healey's original projection was £6.2bn, the November revision £14.5bn and the final out-turn £18.3bn. The corporation tax relief was itself worth close to £2bn of today's money.

The approach of the current Government is however starkly different. Whereas Mr. Healey in 1974 was seeking to reflate the economy, we now have an administration with strict monetary targets and, what is more, a medium-term strategy. All the same the Government is unlikely to be able to prevent itself from being deflected from its precise chosen path. Indeed its record up to now is far from impressive given that PSBR forecast for 1979-80 was effectively overshot by some £2.2bn (offset partially by accelerated PRT payments), while the money targets have been a constant source of trouble.



Despite such disappointments, the gilt-edged market has broadly kept faith in the Government and in the context of a recession the stock market will no doubt tolerate a further degree of short term bending before the wind. But the City is going to watch for action to make sure that those medium-term projections remain credible.

Norcros

Company profits will fall sharply in 1980, the London Business School (LBS) reiterates in its latest economic forecast, published today. But whatever the macro view, the micro view from a typical British manufacturing group, Norcros—which also published its results and annual report today—is that there are reasons for starting the new year with "some optimism." The difference of opinion essentially reflects differing ideas about the scope which management has to counter the undeniably adverse conditions in which industry finds itself.

Certainly the going has recently been tough for Norcros. Pre-tax profits of £19.2m are maybe £1m down on what the group was projecting at the half-way stage and are also nearly £1m lower than the comparable 1978-79 total including John Richards. The main probl[ems] have been in materials handl[ing] where the steel strike in [the] second half added to the p[rob]lems of the earlier enginee[ring] dispute and the operating [loss] has emerged at £3.2m. [In] kitchen furniture, Hygena also stayed firmly in the re[d].

As the economic mo[dels] emphasise, the UK is a [very] hard place to earn profits [in] manufacturing—Norcros exp[eri]enced a 30 per cent pre-tax [fall]. Overseas it is different, howe[ver] and lush returns can be achie[ved] in protected markets like [Aus]tralia and Nigeria. Over[seas] profits of Norcros rose 8[...] cent, and now contribute 45 [per] cent of the total (before cen[tral] expenses). But the overs[eas] contribution to earnings [per] share is only a quarter.

The current cost figures [...] confirm the forecasters' glo[om]. Something like an extra £[...] of stock appreciation went [to] help sustain Norcros' histori[c] cost pre-tax figure for 1979 and the corresponding curr[ent] cost figure is down 15 per ce[nt]. After a stiff tax charge, [the] group is not left with eno[ugh] current cost earnings to co[ver] the dividend. Still, the yea[r's] total gross payout has b[een] raised by some 8 per cent, t[ak]ing the yield at 83p to 13.3 [per] cent.

What happens now? The L[BS] is still predicting trouble [for] the corporate sector, although [if] anything its pessimism [has] moderated a little since its la[st] prognostications. It expects t[he] trading profits, net of sto[ck] appreciation, of industrial a[nd] commercial companies to fall [...] 50 per cent rather than the [...] per cent suggested in Marc[h] and they could recover a litt[le] next year.

Norcros agrees that tradi[ng] conditions are difficult in ma[ny] sectors. But it hopes [to] eliminate around £4m of losse[s] and overseas prospects a[re] generally good. Moreover th[e] group is projecting a reco[rd] capital spending programm[e] largely because of the oppo[r]tunities for improving efficienc[y] and productivity. Norcros' tot[al] of UK employees fell by ove[r] 4 per cent last year.

The likelihood of furthe[r] substantial job-shedding, thoug[h] probably more through natur[al] wastage than through actu[al] redundancies, is something o[n] which both Norcros and th[e] economists will agree. Accordin[g] to the LBS, the number of job[s] in the British economy wil[l] shrink by 200,000 this year an[d] by some 350,000 in 1981.

Pressure on RAF to buy British aircraft

By Elinor Goodman

THE Prime Minister may be asked to make the final decision soon in the long-running debate on whether the RAF should be made to buy a British light aircraft in preference to the cheaper American one it originally wanted.

The discussions, which have dragged on for several months, have highlighted the difficulties surrounding the Government's "Buy British" campaign for the public sector.

Mrs. Thatcher has already ruled once that the order should go to a British company and that other Government departments should help the Ministry of Defence to compensate the RAF for any extra money involved in buying British. But the RAF is apparently still not entirely happy with the decision.

The RAF told the Ministry of Defence earlier this year that it wanted to replace its existing fleet of light communication aircraft with the American-made Beechcraft Super King Air 200.

They argued that it was a better buy than the nearest British alternative — the British Aerospace Jetstream. The Jetstream, they said, was not only dearer but had the added disadvantage of not being available for another two years.

But other Government departments argued that the order was essential to the development of Jetstream which, it is claimed, is a superior design by the state-owned British Aerospace company. It was also pointed out that many jobs in Scotland rested on the future of the Jetstream project.

Cuts threaten London's Jubilee line extension

BY ANDREW TAYLOR

THE PROPOSED extension to London's Jubilee underground line is expected to be a major casualty of Government spending plans for the capital's depressed dockland areas due to be announced in much reduced form early this week.

Mr. Norman Fowler, Transport Minister, is expected to unveil details of a new £100m road programme for London's docklands very soon. The Government had been asked to approve spending of up to £800m on new road and rail links for the area.

The size of the programme will disappoint many of those who have argued that substantial public spending on new infrastructure is essential if dockland is to be successfully redeveloped.

Excluded from the Government proposals are plans to extend the Jubilee line into docklands. Also axed is the controversial proposal to build a £240m Southern Relief Road, designed to ease traffic congestion and improve communication links between the depressed dockland areas on the south bank of the Thames and the South East generally.

The total cost of these two schemes was expected to be at least £600m, a bill the Government was not prepared to foot in the present climate of public spending. Instead it has opted for a more modest package with the spending programme expected to be spread over 15 years.

This calls for the construction of a Northern Relief Road which would improve access into the Royal group of docks: a new road system for the Isle of Dogs where the India Millwall docks are situated and improvements to the Old Kent Road.

In addition, the proposals are likely to call for improvements to Lower Road and Evelyn Street as alternative to the Southern Relief Road. This is likely to cost in the region of £11m.

The £100m programme is expected to be in addition to the £27m already committed by Government to docklands.

The loss of both the Jubilee extension and the Southern Relief Road may have a more immediate bearing on existing plans for the redevelopment of the key 120-acre Southwark site in London's Surrey Docks.

A number of developers who have submitted schemes to the joint owners of the site—Southwark Council and the Greater London Council—have privately expressed reservations about the viability of their proposals if major spending on improving communications is not made.

Four major schemes have now been short-listed for further consideration by the two councils which are expected to announce their final choice later this autumn.

Unions urge ICI staff to strike

BY CHRISTIAN TYLER, LABOUR EDITOR

JUNIOR SCIENTIFIC and technical staff of Imperial Chemical Industries are being urged by union representatives to go on strike against the company for the first time.

A "day of action" including demonstrations and 24-hour strikes at some of ICI's main sites has been called for Friday week. Indefinite strikes could follow at some locations.

A decision to increase pressure on the company after rejection of a pay offer was taken at the weekend by about 100 delegates from the Association of Scientific, Technical and Managerial Staffs and the white-collar sector (TASS) of the Amalgamated Union of Engineering Workers.

The two unions claim to represent some 20,000 non-managerial staff, earning between £4,500 and £8,000 a year.

The dispute follows a company offer of a 16 per cent pay increase from June 1. This follows a 3 per cent special rise, to compensate for inflation, in January. The unions say the 3 per cent was part of last year's wage settlement.

Union negotiators for about 50,000 ICI manual workers have urged their members to accept a similar pay deal. Counting the January increase and other improvements, they say the company's offer to them is worth 21 or 22 per cent. ICI says it is worth 19.5 per cent.

ICI refused to improve on its offer to the manual workers, despite what appears to have been a very close result in a union survey of shop-floor opinion.

Industrial action by the technical staff had been urged before the weekend, but the company said it had heard of no places where sanctions were applied.

Mr. Roger Lyons, a national official of ASTMS, said yesterday that 90 per cent of the delegates supported industrial action.

LOCAL GOVERNMENT REFORM

Amendments to Bill urged

BY ROBIN PAULEY

FUNDAMENTAL CHANGES to the Government's plans to reform local government have been proposed by the Association of Metropolitan Authorities in a long list of amendments to be tabled at the report stage of the Local Government Bill which begins on Thursday in the Commons.

The AMA is now spearheading the remaining phases of the battle against the Government's plans, particularly the fiercely contested proposals to change the present system of rate support to local authorities into a block grant scheme.

The Association of County Councils (ACC) and the Association of District Councils (ADC) both appear to have fallen into a political quandary over how much further to push their opposition to block grant.

Both are Tory-controlled, and Mr. Michael Heseltine, the Environment Secretary, has made plain to both that he has more than enough trouble on his hands, with doubts within the Cabinet on his strategy on local authority spending and a Labour-controlled AMA, without prominent Tory supporters attacking him as well.

Neither the ACC nor the ADC are named at the head of the AMA amendments to block grant, although these amendments do not differ in principle from the unanimous line taken by all local authority associations during the previous stages of the Bill.

This political split will be lessened to some extent by the fact that both Tory and Labour MPs are expected to table some of the AMA amendments. Some of the block grant changes are likely to be tabled as official Labour Party opposition policy.

Mr. Robin Squire, Conservative MP for Sutton and the one Tory who opposed the Government's plans during the committee stage of the Bill, is maintaining his position of strong opposition. Both he and Mr. Geoffrey Rippon, former Tory Environment Secretary, may table some of the 26 AMA amendments.

The most important amendment would stop a feature of the block grant system known as "negative marginal increments in grant." This is a feature whereby an authority can lose part of its original basic grant entitlement once it reaches a level of spending over and above the Government's assessment of its spending need.

The problem is that this would not affect only high-spending authorities. Some authorities with a high level of rateable resources could find that their increments of grant might become "negative" before their actual expenditure reached the standard level assessed by the Government.

Ministers accept that this is nonsense, but the amendment will fall because the technical construction of block grant means that such nonsense is crucial to its operation. Instead, the Government hopes to be able to correct the more ludicrous aspects of the system's working by using "multipliers" to change the equations, where necessary, to produce a more satisfactory result.

The local authority associations have always argued that a system of financial support which is so poorly constructed that it needs the random use of multipliers to make it work does not merit any support.

As the Government has so far refused to accept one single change to its grant system, in spite of repeated requests for improving amendments, the AMA has proposed a change which would limit the use of multipliers. At present the Government could use multipliers in any way it chose to favour or discriminate against virtually any single authority in England and Wales.

The AMA wants this tightened up so that the use to which multipliers can be put is clearly defined in the legislation, with reasons.

The AMA is also proposing an amendment which would delete entirely the proposals to penalise those authorities which the Government regards as the worst "overspenders" in 1980-1981. The AMA says the proposals are indiscriminate and unfair.

The amendments to the Government's already amended plans on capital controls are supported by all the local authority associations.

They want the specification of how much authorities can spend changed from a basis of one year to three years. "The present proposals give councils no indication of the likely level of capital expenditure allocation beyond the immediate financial year.

"They would be improved if they covered as a minimum a three-year programme giving a certain allocation for the immediate year and a guaranteed minimum for the next two years," the association says.

Other amendments seek more flexibility in the use to which revenue contributions and special funds can be put, and changes and safeguards to the proposals on direct labour organisations, urban development corporations and enterprise zones.

Weather

UK TODAY

MIST then sunshine followed by cloud and showers. Rather cool.

London, East, Midlands
Sunny intervals, showers, cool. Max. 19C (66F).

Channel Isles, S.W. England, S. Wales
Mostly dry. Bright intervals, cool. Max. 18C (64F).

C.N., N.E. and N.W. England, Lakes, Isle of Man
Sunny intervals, showers. Wind fresh. Max. 17C (63F).

E. and S.W. Scotland
Sun and showers. Wind moderate. Max. 18C (64F).

Rest of Scotland
Cloudy, bright intervals, showers. Max. 15C (59F).

N. Ireland
Bright intervals, showers. Cool. Max. 16C (61F).

Outlook: Sunny intervals and showers, cool, becoming warmer in West.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	22	72	Luxmbg.	F	15	59
Amsdm	C	15	59	Luxor	S	43	109
Athens	F	27	81	Madrid	S	30	86
Bahrain	S	37	98	Majorca	S	25	77
Barcina.	S	24	75	Malaga	S	24	75
Beirut	S	27	81	Malta	S	26	79
Belfast	C	15	59	M'chstr.	C	17	63
Belgrd.	F	24	75	Melbne.	R	11	52
Berlin	R	13	55	Milan	S	23	73
Biarritz	R	16	61	Montreal.	C	15	59
Bmghm	F	17	63	Moscow	C	19	66
Blackpl.	S	16	61	Munich	R	12	54
Bordx	C	17	63	Nairobi	S	20	69
Boulgn	F	15	59	Naples	S	21	70
Bristol	F	18	64	Nwcstl.	C	13	55
Brussels	R	11	52	N. York	C	22	72
Budpst.	R	20	68	Nice	S	22	72
Cairo	S	36	96	Nicosia	S	27	81
Cardiff	C	17	63	Oporto	S	22	72
Cas'b'ca	C	23	73	Oslo	R	14	57
Cape T.	C	13	55	Paris	C	17	63
Chicago	S	26	79	Perth	R	14	57
Cologne	F	14	57	Prague	C	16	61
Cophgn.	R	13	55	Reykjvk.	C	11	52
Corfu	S	27	81	Rhodes	S	30	86
Dublin	C	16	61	Rio J'o	S	25	77
Dbrvnk.	S	23	73	Rome	F	23	73
Ednbgh.	F	17	63	Salzbrg	C	18	64
Faro	S	26	79	Singapr.	S	31	88
Florence	C	20	68	Stckhm.	C	18	81
Frankft.	F	25	59	Strasbg.	F	16	61
Geneva	C	14	57	Sydney	C	14	57
Gibrltr.	S	23	73	Tangier	S	27	81
Helsinki	F	19	59	Tehran	S	26	80
H. Kong	C	29	84	Tel Aviv	S	27	81
Innsbrk.	C	18	64	Tenerife	C	18	64
Invrnss.	C	15	59	Tokyo	R	21	71
I.o.Man	S	14	57	Toronto	C	13	59
Istanbul	S	26	79	Tunis	S	27	81
Jersey	S	16	61	Valencia	S	28	82
Jo'burg	S	5	40	Venice	S	22	72
L. Plms.	F	23	73	Vienna	F	17	63
Lisbon	S	24	75	Warsaw	C	17	63
Locarno	C	20	68	Zurich	R	11	52
London	F	17	63				

C—Cloudy F—Fair Fg—Fog R—Rain. S—Sunny Sl—Sleet. Sn—Snow.

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I

FINANCIAL TIMES SURVEY

Monday June 30 1980

Latin America

Endowed with great natural resources, a burgeoning industrial sector and an increasingly expert workforce, Latin America enjoys advantages that many other parts of the developing world would envy. But the region could also suffer disproportionately if the world fell into deep recession.

Rising status in world business

Hugh O'Shaughnessy
Latin America Correspondent

LATIN AMERICA has, in the past few years, risen much higher than for decades on the list of priorities for international business. Evidence of the increased new involvement is there to be seen in the factories and offices which have sprung up in many cities of the region and also by the planeloads of bankers who fly in daily from Western Europe and North America.

Brazil is one of the biggest borrowers on the Eurocurrency market, while several other countries are big clients for the international banks. The region has been a major beneficiary of the international recycling of the surplus funds of the Arab oil producers. Venezuela, the bigger of the two Latin American OPEC countries, has itself contributed its share of billions of petrodollars being recycled.

Up and down the region, large and not-so-large foreign-owned enterprises are springing up. Fiat, for instance, has decided to bid for a share of the Brazilian automotive market and not long ago completed a large new factory in the State of Miras Gerais. Rio Tinto Zinc has pledged itself for what could become one of the world's largest copper developments in Panama while the international oil companies are searching for oil from Argentine Patagonia to the Peruvian jungles and from Guatemala to the Atlantic coasts of Brazil.

The lifting of import restriction in Chile and the progressive dismantling of tariffs in Argentina are tempting exporters from the developed world to try and recapture markets that many of them must have believed they had lost for good under more protectionist regimes in the 1970s.

The cloud under which Latin America appeared to live—at least in the minds of many non-Latin American bankers, traders and manufacturers—has lifted. The explanation is partly to be found in the region itself and partly outside it. The increased instability of the Middle East and the stormy outlook in Iran and neighbouring countries which, a few years ago, were attracting large quantities of new business is certainly one factor.

Growth rates

And even the situation in the more stable of the Middle East states is proving disappointing to some multinationals. There is, after all, a limit to the numbers of new hotels, ports, airports, roads and hospitals that even the smaller and super-affluent oil states of that area can absorb.

As far as the U.S. businessman, in particular, is concerned there are doubts, too, over Western Europe which, a decade ago, was a veritable magnet for him. Justifiably or not, some U.S. business leaders feel the lower growth rates of Europe, combined with the increasing sensitivity to U.S. operations there and the risk that the area may one day become a centre of conflict, have made it a less attractive place. Hence, a reconsideration of Latin America.

But Latin America has not just benefitted from the clouds that have built up over other regions. It has benefitted from what foreign business has seen as positive political developments in the 1970s. The military in Argentina, for instance, have returned their country to conservative economic practices after overthrowing the chaotic Peron regime in 1976. From "bust," Argentina has gone to boom, helped by record harvests of cereals — and record prices received for them.

In Sr. Jose Alfredo Martinez de Hoz, the Argentines have an economy minister who is clearly aiming to favour foreign business, while the armed forces serve his policies by keeping a a tight rein on dissenting politicians and on the trade union movement.

The pattern had been set in 1973 in Chile when General Pinochet took power and began a process that has tempted a clutch of U.S. companies—including the Bank of America, Exxon and Atlantic Richfield—to invest.

In recent months, the Pinochet Government has won a rare accolade from the World Bank which has expressed enthusiastic public support for his policies. In Brazil, the military authorities have maintained a good climate for foreign private investors, while, in Peru, they have improved the situation from what it was.

But investors, lenders and businessmen have, if they have been intelligent, discovered—or perhaps re-discovered—some truths about Latin America which go deeper than the politics of this or that government of the moment. Sr. Enrique Iglesias, the executive secretary of the United National Economic Commission for Latin America, and one of the region's foremost strategists, resumed them in an appreciation of the prospects for the next decade, published in the December, 1979, edition of the CEPAL Review.

Speaking of the region's possibility of growth over the next decade, he cited four positive factors. In the first place the natural resource base, he noted, was highly favourable. It is estimated, for instance, that out of potentially cultivable land in Latin America of 575m hectares only some 170m is now being exploited.

Latin America has a third of the world's reserves of copper, more than a third of the bauxite and a fifth of the iron ore. There are great gas and oil reserves while the potential for the generation of hydroelectricity is a third greater than that of the Soviet Union, more than double that of the U.S. and Canada combined and four times that of Europe. No more than 15 per cent of it is harnessed at the moment.

In the second place there was a labour force which was fairly rapidly acquiring specialising skills, including management skills.

Thirdly, according to Iglesias, Latin America has a broad and diversified industrial base. Latin America in 1978 was producing 23.5m tons of steel or five times the total in 1960; power production, which increased five-fold between 1950 and 1970, doubled again between 1970 and 1978.

Lastly the size of the market. The writer forecast that if the region were to grow at an average annual rate of 7.4 per cent until 1990, its product would be appreciably bigger than that of Germany, France and Italy in 1970, of the Soviet Union in that year.

On the basis of these four factors, Latin America offers possibilities of growth which are matched in few other regions of the world. But as Iglesias points out—and even the most casual of visitors can observe—the fruits of recent economic growth have not been distributed in any particularly equitable fashion and the social tensions which have arisen from a situation in which about 40 per cent of the population of Latin America suffers from extreme poverty and about half of those suffer from stavation conditions of existence.

"The development of the last 30 years was thus marked by a basic ambivalene," remarks Iglesias. "While on the one hand it revealed the region's capacity for increasing its material output at a fairly high rate, on the other hand it reflected a flagrant inability to distribute fairly the results of this more rapid material progress.

"It is this essential ambival- which explains the contrast between the optimistic conclusions which may be drawn from the evolution of some conventional economic indicators . . . and the ssome times discouraging conclusions arising out of . . . malnutrition, poverty, illiteracy and under-employment."

Social tensions

The social tensions which have arisen from the pattern of recent development are now being played out with tragic and mortal consequences in the crisis spots of the region. Who could doubt, for example, that the situation in Central America, and in particular in Nicaragua, El Salvador Guatemala would be so disturbed today if the fruits of economic growth had been better distributed?

The same could be asked about Brazil where a powerful trade union movement is demanding sharply now what it was not allowed peacefully to negotiate for 15 years.

It is clear that the playing out and correction of these tensions in Latin America would be a difficult enough task at a time of plenty and when the world economy was booming. It would be rendered doubly difficult if the economy of Latin America were to be pulled into deep recession by the behaviour of the North Atlantic economies on which Latin America continues to depend to a large extent.

Were a faltering of demand for Latin American goods, the construction of protectionistic walls against the region's trade and the imposition of tougher credit conditions to bring about a slump in some of the key economies of the region, then it would not just be the economic picture that would look black—political unrest on a much bigger scale than is now being experienced would of necessity follow.

This, in its turn, would bring about a polarisation of political forces between the dictatorial and authoritarian right and the radical left. The political problems of the region would be multiplied.

This drama is unrolling most clearly in Brazil at the moment where the Figueiredo Government is facing the pressures of increasingly costly foreign borrowing, coupled with threats of tariff barriers against its exports to Europe and the U.S., the whole exacerbated by a mountainous foreign debt and increasing costs for oil imports.

Despite all this, the Government does not for the moment dare to put the economy into reverse. The social discontents that would arise from such an action, the growing unemployment and the disappointment of hopes of tens of millions of poorer Brazilians for a better life, could produce widespread political discontent.

And what could happen in Brazil, could also occur in many other parts of the region. If the world economic outlook does not worsen, or even improves, then Latin America's prospects are certainly excellent, and more inviting than those of the rest of the developing world. If the reverse happens, then the region's future could be a lot more bleak than in many other places.

CONTENTS

Divisions persist after 20 years of transition

FREE TRADE ASSOCIATION

ROBERT LINDLEY
Our Buenos Aires Correspondent

THE TWENTY-YEAR "period of *transition*" which the Latin American Free Trade Association (LAFTA in English, ALALC in Spanish) granted itself when it was founded in Montevideo, Uruguay, in February, 1960, will end on December 31.

It has not been a singularly successful experiment to say the least. LAFTA is nowhere near its original goal of growing into a true Latin American common market. For more than a decade and a half, there have been no multilateral negotiations to lower tariffs in the region.

This prolonged hibernation of LAFTA threatens its continued existence—even on paper. The Foreign Ministers of the 11 member countries—Mexico plus the 10 South American countries existing at the time of LAFTA's birth—will decide in Montevideo in August whether to resuscitate the association or pronounce it dead.

LAFTA, like the European Economic Community (founded in 1957) and the European Free Trade Association (founded in 1959), came into being as a result of World War II.

But it has come to its present grief largely because it tried to apply in the region of Latin America an orthodox model of integration patterned on the EEC.

Simon Bolivar, when he was wrenching a large part of Latin America from Spanish domination early in the 19th century, foresaw the difficulties. Integration, Bolivar wrote, "is not possible because remote climes, diverse situations, opposed interests, dissimilar characteristics divide America."

The founders of LAFTA did not take into account the profound differences between the LAFTA countries and the EEC, which is most things Latin America is not: a much smaller area, much more homogeneous, much more densely populated, highly industrialised and a vast capital market.

To make matters worse, LAFTA has suffered from the neo-protectionism of the industrialised countries, a phenomenon caused largely by the end of the era of abundant and cheap energy, which has resulted in a balance of payments crisis and inflation. The reaction of the industrialised countries of course has been to restrict world trade by non-tariff means such as "gentlemen's agreements."

Unfortunately for developing regions such as Latin America, this neo-protectionist phenomenon promises not to be a passing one but a sign of a major transformation in the balance of economic power in the world.

The "diverse situations" and "opposed interests" within Latin America perceived so well by Bolivar have been all too manifest in LAFTA.

Literally, the association is divided between the five member countries of the Andean Pact—Peru, Bolivia, Ecuador, Colombia and Venezuela, all of which are relatively underdeveloped and as such still committed to protectionism—and the relatively more highly developed Mexico, Brazil and Argentina, which along with their three economically liberal allies in LAFTA—Chile, Uruguay and Paraguay—have opted for free trade.

The vaguely anti-capitalist Andean Pact countries in LAFTA find the technology and the know-how available in Latin America compatible with their state of lesser development, while the remaining six countries welcome the competition for their local industries provided by cheap imports from the U.S., Japan and Europe.

This division between the "five" and the "six" in LAFTA is in constant evidence.

Sr. Edguardo a Silveti writing in the Buenos Aires weekly Mercado on Argentina's difficulties in trading with its neighbours, including its economically liberal allies within LAFTA, admonishes: "It's of little purpose to build bridges with Uruguay, Paraguay and Brazil, to press forward with railway and road conections with Bolivia and Chile, if afterwards, when the moment to reap the benefits arrives, barriers are raised to impede trade and industrial complementation."

Another difficulty, between Argentina and Chile, is the Beagle Channel boundary dispute which the Vatican is trying to settle peacefully through mediation.

Meanwhile, much needed Argentine-Chilean co-operation has been shelved. As Sr. Silveti says: "Argentina needs to export to Japan agricultural products such as sorghum, soya-beans, maize and wheat through the north and centre of Chile. Chile, in turn, needs to have a way out for its products on the Atlantic."

A worker in Ecuador, harvesting bananas at a plantation near the Riobamba-Guayaquil highway, between Naranjal and El Guabo. Cattle and bananas are the main produce of the region

However, although LAFTA has been a failure so far, it has not been a complete failure. For example, 30 per cent of all Argentina's world exports are bought by LAFTA countries, which take 73 per cent of its exports of industrial products.

The LAFTA experience has also taught member countries to export at low costs, allowing them later to move into more difficult markets.

And it was thanks to LAFTA that uniform tariff nomenclatures have been imposed in Latin America. LAFTA member countries have granted one another reciprocal credits and at one time, LAFTA was perhaps the only forum where entrepreneurs could get to know one another.

It may be that if LAFTA survives this year, it will be on the terms of the Andean Pact, which favours intrazonal economic integration and complementation—not only within the LAFTA countries but also with the countries in the Central American Common Market and the Caribbean's CARICOM member countries as well—rather than free trade. The Andean Pact countries fear that free trade could destroy their emergent industries.

But if the Andean Pact thesis continues to prevail, at least one of the free trade-oriented "six" may withdraw from LAFTA.

Sr. Carlos Garcia Martinez, Argentina's ambassador to the association, said recently: "Argentina accepts an extension of the period for LAFTA to be perfected, always providing a reform genuinely sweeping in its structure and philosophy is agreed on, a reform which permits the overcoming of the association's long period of stagnation."

Otherwise, said Sr. Garcia Martinez, Argentina will vote against prolonging the "period of transition" and "will reconsider thoroughly its future position vis-a-vis LAFTA."

Few accomplishments so far

RIVER PLATE AGREEMENT

ROBERT LINDLEY
Our Buenos Aires Correspondent

IN VIEW of the tremendous potential of the River Plate Basin — more than that of a dozen Ruhr valleys—it is somewhat alarming that the five countries which share the basin did not come around to agreeing on a joint declaration about it until 1967—and they did not sign the River Plate Basin Treaty until two years later.

The treaty, in fact, did not go into effect until August 14, 1970. The pre-amble did no more than state the obvious: "combined action will allow harmonious and balanced development, as well as the best utilisation of the huge natural resources in the region."

As basin's go, that of the River Plate ranks fifth in the world in size and second in Latin America — after the Amazon River Basin. The waters which flow into the River Plate estuary and then out into the Atlantic Ocean come from rivers which knit together the 3.2m sq km area of the basin.

The five countries which come together in the River Plate estuary are: Argentina, Brazil, Bolivia, Paraguay and Uruguay. Forty-five per cent of the basin is in Brazil, and 40m people (35 per cent of Brazil's population), live in Brazil's part of the basin.

Seventeen per cent of the extension of Brazil, the largest country in South America, is in the River Plate basin. A 1m sq km of the basin are in Argentina, and 80 per cent of the country's population of 26m live in the basin.

Bolivia's portion is 200,000 sq km, in which there are 1m inhabitants. Paraguay and Uruguay are entirely within the River Plate Basin.

The extreme north of the basin is in Brazil's Matto Grosso, where the Great Parana river, the basin's spine, begins. Its extreme south is in the south of Buenos Aires province, where the Salado River rises to flow into the River Plate estuary. The basin's western boundary is also in Brazil, in the State of Minas Gerais. The basin is bounded on the west at the source of the Pilcomayo River in Bolivia.

The River Plate basin is rich in fertile soils—from the grain and cattle-growing pampas in its south to inextricable jungles in its north. The basin's mineral wealth is incalculable, but the iron ore deposits in Eastern Bolivia, and within the basin, reputedly exceed 60,090m tons. There also is natural gas in Bolivia, as there are unfathomed minerals in the Andean foothills in Argentina.

Its huge rivers, of course, are the "soul" of the River Plate basin—the source of cheap energy and transport. The hydro-electric energy potential of the basin is estimated to be at least 100m kW. The Itaipu Hydro-electric Scheme, now being constructed by Brazil and Paraguay on the Upper Parana River, will be the biggest in the world. A system of dams and turbines is planned for the Middle Parana, in Argentina, with a potential of 5,600 MW, which would be the sixth largest hydro-electric scheme in the world.

Ships drawing 31 feet can sail up the Parana River as far as Corrientes, Argentina, on the Paraguayan border, and those drawing 30 feet can get as far as Santa Fe, in north-central Argentina. An essential consideration here is that the cost of transporting cargo by water is five times less than it is by rail, 15 times less than by road and 70 times less than by air.

Waterways

If, and when, the necessary works are completed, the River Plate will have 15,900 kms of navigable waterways. There also is the possibility of joining up the River Plate basin's river system with that of the Amazon River basin and, in turn, with the Orinoco River basin, which would make it possible to travel from the Caribbean to the River Plate estuary, crossing the South American continent by inland waterways.

The River Plate Basin Treaty, whose purpose it is to develop all this potential, differs essentially from the Latin American Free Trade Association, the Andean Pact and the Central American common market in that its stated aim is not to compel the formation of multinational links. It simply proposes the carrying out of certain possible and necessary projects.

Typically, accords for the exploitation of rivers, such as the Parana and the Pilcomayo, do not entail even a suggestion of the delegation of sovereignty. The accent indeed is on "harmonious development."

In its two decades of existence, the River Plate Basin Treaty has not, probably inevitably, achieved very much. Maintaining harmony—on the one side, between gigantic Brazil and Argentina, both of which have large internal markets and considerable diversification of production, and, on the other side, Paraguay, Bolivia and Uruguay, which do not—is difficult.

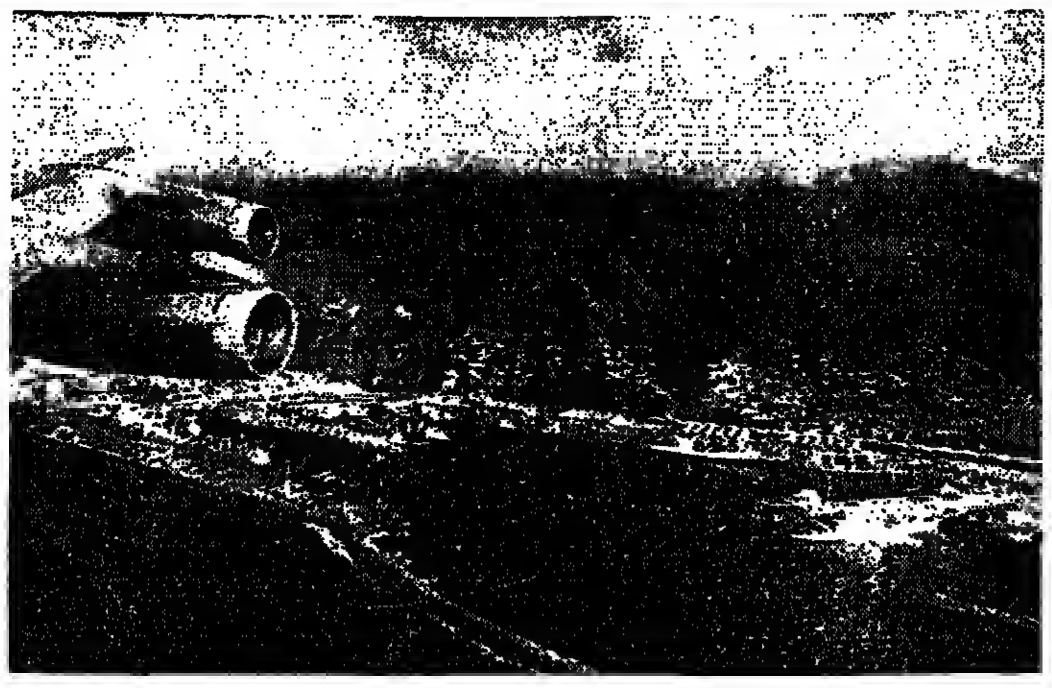
Perhaps the greatest of the treaty's admittedly meagre accomplishments so far, has been the providing of a forum for the disputes among Argentina, Paraguay and Brazil concerning the damming of the Parana River for the installation of hydro-electric projects.

Until early this year, Brazil and Argentina were at loggerheads over the height of the projected dams at Yacyreta and Corpus, between Paraguay and Argentina. Brazil maintained that the planned height of the Corpus Dam, especially, would subtract energy potential from its and Paraguay's Itaipu Dam, upriver. The impasse seems to be on its way to being solved through negotiations within the treaty.

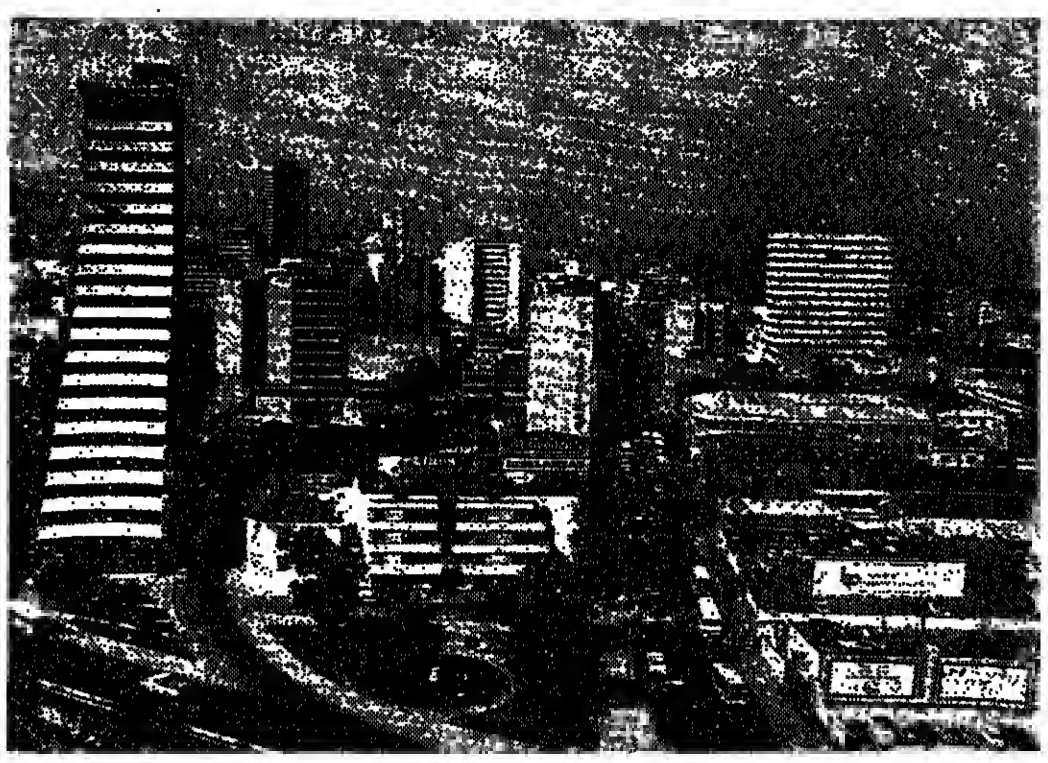
The eleventh meeting of the foreign ministers of the River Plate basin countries is scheduled to take place in Buenos Aires in August. There is a movement afoot to agree at this meeting on the curbing of the proliferation of "work groups," an ailment which began at the treaty foreign ministers' fourth meeting in Asuncion, in 1970. The result has been many hastily-conceived resolutions leading nowhere.

هكذا من الأصل

A new period of vitality



Above: The approach to Caracas Airport. Below: Bogota, Colombia. Among the Andean Pact countries, Colombia's industry is by far the most competitive



THE ANDEAN PACT

ANITA KENDALL, Our Quito Correspondent

ALTHOUGH THE Andean Pact common market is still far from being a "nation of republics," last year's meeting of Andean Presidents to celebrate the Pact's 10th anniversary has given it new vitality.

Not only did the region's presidents give unqoalified support to economic integration, but they agreed that the organisation should develop a stronger political role and take part in discussions for a new international economic order.

Since the anniversary celebrations in Cartagena, a civilian president has taken over in Ecuador, and another will shortly do so in Peru. Even if Bolivia'a destiny seems less certain, the Andean countries could all he in the hands of democratically elected heads of state before long, and this would add a new dimension of political unity.

"The Andean experience shows that a certain compatibility of political systems is necessary, and it is also important that national development strategies should be similar, in order to make progress towards economic unity," said Mr. Washington Herrera, the Pact'a technical co-ordinator, at the Planning Ministers' meeting in Quitc earlier this year.

Chile's exit from the Pact in 1976 was a clear example of the incompatihility of political and ecooomic models, and there are hopes that the new democratic governments will give the common market extra momentum at a crucial stage.

Negotiations for the establishment of customs duty levels for the common external tariff have heen moving very alowly, and if they can he completed this year, one of the Pact's most significant goals will have been achieved.

The population of the Andean countries — Bolivia, Colomhia, Ecuador, Peru and Venezuela—represents a market of over 70m, Venezuela heads the group in terms of income per capita.

Because of their relatively undeveloped small indnstrial sectors, Bolivia and Ecuador were granted special memhership terms and longer deadlines for full economic integration. Ecuador has now pulled well ahead of Bolivia after several years of record economic growth. Bolivia's position has been further weakeoed by political instability and the failure to attract foreign capital to implement the Pact's industrial projects. At the Cartagena meeting, the Andean Presidents pledged their support for special measures to resolve the transport and trade problems of landlocked Bolivia.

In 1979, the Andean countries' foreign trade was worth \$45bn —\$24hn in exports and \$21bn in imports. The higgest exporter was Veoezuela (14bn) followed hy Peru and Colombia (3.5bn each). Ecuador (2bn) and Bolivia (0.8bn).

The United States is the pact's chief market, and a commercial agreemeot between the two was signed in December last year. Though the volume of trade included is not great, the agreement is important for another reason—Ecuador and Venezuela are no longer to be excluded from the general schedule of prefereoces because of their OPEC membership.

Regional trade, excluding oil, is estimated at \$1.1bn for 1979, compared with \$62m 10 years ago. The growth in nontraditional exports has been especially rapid sloce 1977, and these represent 85 per cent of the total, with Colombia the main exporter.

Land transport and communications between the five countries are slow and unreliable, and cargoes must be unloaded at some frontiers. Plans to improve road connections exist, but there is only one rather poor link between Caracas and La Paz—the Pan American highway, much of which is winding monntain road subject to landslides.

Tariffs decision

The decision on common external tariffs was to have been made by December, 1975, and has been repeatedly put off in an effort to try and match very different proposals hy the five Andean countries. Now an agreement appears to be close, and it may be possible to keep to the December, 1980, deadline for the first series of adjustments to the new tariffs. The process should be complete hy 1990, when Ecuador and Bolivia will make their last changes.

Apart from adopting the new tariff level, Pact countries are also obliged to drop all other forms of protection, such as import quotas and prior deposits. For some goods, this will mean reducing import taxes from over 200 per cent to nnder 100 per cent.

Colombia's industry is by far the most competitive and there are fears that Colomhian goods could swamp neighbouring countries once internal tariffs are eliminated. Venezuela, Peru and Ecnuador are pushing for a relatively high maximum external tariff, and Colombia a low one.

The minimum level is also the subject of argument because, for example, Venezuela has very low tariffs on goods not manufactured locally, and higber taxes would be inflationary.

The complexities of the rules of origio for all regionally produced goods must also he resolved before internal tariffs are cut so that products manufactured with imported components do not have the same tariff benefits as those that are entirely national.

Tariffs are not the only preoccupation of the Pact's three-man technical junta. It mnst also formulate and implement industrial programmes to the satisfaction of all five conntries. These programmes cover strategic industries such as petrochemicals, vehicles and steel, for which a large market is necessary to justify investment. Three—metal working, petrochemicals and vehicles—have been approved in the Pact's 11 years, and the changes to the metal working sector were completed last year, taking into account Chile's resignation and Venezuela's entry.

Accordiog to a junta document 45,000 new jobs in metal working were created by the end of 1978. It is the only programme well under way, for the petrochemical allocations must also be revised as a result of the membership change, aod only Ecuador has completed negotiations for the production of vehicles for the Andean market.

Of the other industrial sectors, the steel, fertiliser, chemical and electronics programmes should he complete hy the end of the year, though the steel project involves the creation of two multinationals in the region rather than country by country assignments.

In spite of early fears the Pact's foreign investment regulations do not seem to have restricted the inflow of capital.

Some potential investors are pleased to have clear cut rules to work with, and the increase to 20 per cent a year in the profit remittance allowance was widely welcomed. To qualify for the lowest regional tariff rates, at least 51 per cent of a company must be in national hands, including 51 per cent of the management.

Andean capital is treated as natiooal capital within the region, and it is possihle that other Latin American countries, such as Brazil, will be granted special terms in the future.

The private sector has shown mixed feelings about the pact ever since its creation and aggressive statemeots from one or other organisations have frequently ruffled goodwill.

The Colombian Industrialists Association, for example, accused Bolivia and Ecuador of demaoding too many concessions, and holding up negotiations. However, three private sector Andean organisations have now been formed—confederations of industrialists, of chambers of commerce and of exporters—and this is taken as a good omen.

Now that the most important aspects of economic Integration are within sight—though much remains to be done—attention is turning to other areas.

Little has come of the education, labour and health agreements, and some officials are concerned that the Pact is not providing enough direct advantages for the mass of the Andean population.

On the political side, there have been some major advances as *a result of the Cartagena* meeting. The Andean parliament had a preliminary meeting In December last year, and will function from August.

Representatives, who will initially be appolnted by their own legislatures, and later elected in each country, are to monitor the Pact's progress, as well as human rights and political activity.

The Andean tribunal is to be set up shortly, and will deal with the multitude of complaints and mutual accusations Pact members have been making. The Council of Foreign Ministers met for its first session in January, and shortly afterwards, at the time of the Cuban refugee crisis, offered its support to Peru.

At the end of this year, the Andean Presidents will discuss proposals for a strategy for the development of the region. The strategy will draw on national plans—the junta is encouraging members to devote sections specifically to Integration—and will try to harmonise social and economic policies throughout the region.

The Pact is also defining new trade relationships with the EEC and LAFTA this year. Ase Mr. Herrera said recently: "We know what we need to do, now we mnst define bow to do it, and take urgent decisions."

Ecuador has enjoyed several years of record economic growth. Above: Otavalo Indians in the market place at Equator Town, Ecuador

Hard lessons bring changed attitudes

THE AMAZON PACT

DIANA SMITH

Our Brazil Correspondent

THE GREEN HELL where man is the impertinent intruder in search of El Dorado: this is the myth of the immense Amazon region that covers 7m sq kms—a third of the South American subcontinent.

Eight nations—Brazil, Venezuela, Colombia, Peru, Ecuador, Bolivia, Surinam and Guyana—host part of the Amazon Basin. Brazil alone harbours 60 per cent of a complex ecosystem of rivers and forests responsible for one-fifth of the world's fresh water and an estimated 25 per cent of its oxygen.

What to do with the Amazon: leave its natural resources, tribes and fauna undisturbed; develop resonrces judiciously or simply pillage? This is a question as old as man's discovery of this sprawling mineral-rich subuniverse.

For centuries, only native tribes, adventurous foreigners or crusading missionaries songht the depths of the "Green Hell." Brazilians, especially, clung to their coastline like crabs while the Spanish-speking populations of Andean countries that also barbour the Amazon opted for the highlands, rather than the jungle.

Ostentatious

When men of European origin followed navigable Amazon rivers inland, in search of wealth, their quest paid off: in the nineteenth century, the rubber trees of the Brazilian Amazon created s host of rubber mililonaires.

Their tribnte to themselves and their taste for the ostentatious stands in Manaus, 2,000 kms inland from the Atlantic near the convergence of the Black and White Rivers. Manaus boasts one of the world's most spectacular opera houses, built of marbel, once echoing to the golden notes of Caruso and other great singers, but today little more than a musuem.

Mansus now has 600,000 inhabitants and a thriving industrial complex that cburns out a vast range of electrical appliances. It is a free port, catering to Brazilian, Latin American and European tourists. It also has a militant environment protection association — a development that illustrates changing attitudes of Brazilians and their Spanish-speaking neighbours towards the mnch-vandalised Amazon.

The fauna of the Amazon has been so mercilessly slaughtared for their hides that in many areas, tha ecological balanca is severly disrupted. Millions of acres of forest have been cleared without a care for preservation of rare species of trees for fly-by-night cattle ranching projects. Soma years ago, these pryeas seemed, to their promotors, to be the answer to Brazil's demand for meat, they proved unprofitsble. Now, many are deserted acars among the green.

The mistakes made with the Amazon were lessons learned painfully. Today, concern for the Aamazon bas grown, to some extent in direct proportion to the new continental consciousness, spreading over South America. That consciousness, in recent years, accords: the River Plate Basin Treaty, the Cartagena Pact of the Andean countries and efforts to strengthen the Latin American Free Trada Association.

Now, it has bred the Treaty for Amazonian Co-operation, signed in July, 1978, by the eigbt Amazon states, later ratified by members and now on the verge of coming into full force. The treaty is not an economic accord—it is a broad-based frame agreement that, if properly applied, will allow member states to protect the Amazon from buman predators, plan sane, judicious development of resources, improve transnational river and road transport, and, through joint research, unveil the mysteries of this largely unknown ecosystem.

Brazil *took* the lead in promoting the Amazon Treaty, its own Amazon consciousness developed with the successes and errors of the opening of the region to migration and development after 1966. That surge culminated in the most controversial pbase of Amazon frontier-breaking: laying of the trans-Amazon Highway in the early 1970s.

Tbat highway, one of the Pharaonic projects of the bey-day of Brazilian growth, carved into forests and Indian land, displacid tribes who had rationally bandled their environment since recalcitrant time immemorial.

It is said that, in some cases, tribes members were killed to make way for "civilisation," but in the wake of the 1973 energy crisis, the Trans-Amazon Highway was half-abandoned. Less environmentally destructive roads, now take priority, and river transport has been upgradad.

When Brazil first outlined the Amazon Treaty in 1977, its overtures were greeted tepidly by neighbours. Thera was still a fear that Brazil had geo-political designs on the sub-continent and that it might use the Amazon question to encroach on the sovereignty of neighbours. But those faars wera assuaged as Brazil's boom cooled off, and the fight for economic survival in tha face of soaring oil prices, inflation, population explosions, and chronic poverty called for commonity of purpose among South American nations.

Acceptance

Once the idea of the Amazon Treaty gained acceptance it was negotiated in record time—15 months—and aigned, in Brazil, with pomp and expressions of high hopes for its effectiveness.

An important aspect of the treaty is its call for joint health research. The Amazon Basin is a breeding ground for lethal viruses, many still unidentified by scientists and for which no known cure exists. Viruses, amoebas, or mysterious diseases carried by equally-mysterious insects, take the lives of debilitated well-nourished foreign anthoropologists, botanists or zoologists as ferociously as they wipe out often-undernourished non-Indian populations of riverside hamlets and towns.

Equally, member countries hope to work together in studies on optimum agriculture for arable areas of the Amazon. Brazilian researchers are now working with Indian tribes, drawing on the Indians' experience in short-season crops in the *varzeas* or river bank areas, which are flooded for several months of the year.

This is something of a turn-about: not long ago, one would have been hard put to find more than a bandful of Brazilians who considered they bad anything to learn from the *primitive* Indians—a segment of mankind that, to most Brazilians was deemed either decorative or nearly "sub-human."

Having witnessed the destructive failure of massive cattle ranching in the Amazon, Brasilian beeders are now working with the semi-aquatic buffalo, first imported from India more than 100 years ago, and for more suitable to Amazon conditions than dry-land cattle. In an experience they hope to share with their neighbours, Amazon companies are going into fish farming, aware that the world demand for fish is mounting while supplies dwindle.

Meanwhile, finally understanding the need to balance the Amazon environment, Brazilian authorities have set aside large areas of the forests that must not be touched, under any circumstances. They are also hoping to find ways, with their neighbours, of improving supervision, which now suffers from lack of funds, personnel and means of transport, often relying on dedicated amateurs who receive no wage and, with few tools at their disposal, struggle to protect the fauna and flora from the demands of the international consumer market.

The Brazilians are aware that there will be no overnight miracles in the Amazon: they are preparing for the labours of generations to come, gradually discovering the nature of the region and how it can be developed, where possible and without irreparable damage.

The Pharaonic spirit will no longer be encouraged: mammoth hydro-electric projects are reserved for non-Amazon rivers with natural falls—not the characteristic of Amazon waterways from which energy can be transported over reasonable distances at manageable cost.

Where wood can be cut, reforestation of native species will be a constant practice. Gigantic, foreign projects like the 6m-acre Jari Development, owned by the American billionaire, Mr. Daniel K. Ludwig in Brazil's Amazonian Para State, will not be repeated, settlement projects will, it is hoped, be handled rationally not helter-skelter, and with efforts to educate settlers in respect for the environment.

Patently, pat ignorance, and in many cases, irresponsibility moved individuals or groups to treat the Amazon as ruthlessly as any obstacle in the *path of* man-made progress: something to be blindly eliminated. The Amazon Treaty is a sign of saner times—presuming it does not remain merely a well-meaning piece of paper.

Chile and Argentina still bickering over islands

LONGEST COMMON FRONTIER

MARY HELEN SPOONER

Our Santiago Correspondent

NOT LONG AGO, a new transit tunnel througb the Andes (wbicb divide Chile and Argentina) was officially opened. Delegations representing tha military regimes of Gen. Augusto Pinochet and Gen. Jorge Videla met insida the the tunnel at the precise spot where surveyors bad established the border, and a ribbon-cutting ceremony was beld. Shortly after the ceremony, and even before the delegations bad left the area, the tunnel was clogged with vehicles from either side, seeking to cross the border.

If tbe 1,600-mile border dividing the two countries is now more easily passed, it is not so easily defined. The Vatican is expected to announce a new proposal to resolve a territorial dispute between Chile and Argentina—the dispute dates back almost a century and, only last year, threatened to lock two of South America's most ferocious military macbines in a devastating war.

At issue is the ownership of three tiny, uninhabitated islands—Lennox, Picton snd Nueva—located south of Tierra del Fuego. With the new 200-mile limit on territorial waters, whoever owns the islands will also bave control over important marine resources, oil deposits and strategic waterways.

Territorial bickering (whicb reached unprecedented levels 18 months ago when troops from sides mobilised along the longest sbared frontier in Latin America) is hardly new to Chilean-Argentine history.

Chile, which today measures no more than 180 km at its widest point, once controlled the greater part of Patagonia. Like most Latin America nations, Chile and Argentina referred to the boundaries banded down by the Spanish Crown to determine their territory upon declaring independence. These early limits gave Chile most of the desolate grasslands which today helong to Argentina, as well as the straits of Magellan in the South.

But during the second half of the 19th century both the Santiago and Buenos Aires goveroments initiated aggressive immigration policies, aimed at colonising thair southern territories. However, pressures from the Argentine side were greater, as the country's reilways were expanding and new methods of freezing beef for shipment to European markets was transforming the country's economy.

Chile, meanwhile, was engaged in tha war of the Pacific with Peru and Bolivia, extending its territory northward. With Argentine development pressing southward, and Chile's attention directed in the opposite direction, both countries signed a treaty in 1881 whicb delivered 726,266 sq kms of Patagonian territory to Argentina and established the current border.

Prizes

According to the treaty, Chilean territory extends down througb balf of the island of Tierra del Fuego, plns all of the islands south, but not west of Tierra del Fuego.

In its claim, Chile states that Lennox, Picton and Nueva are south of the island Tierra del Fuego. Argentina says the islands are west of the Tierra del Fuego Arcbipelago, and *hence belong to it.*

Among the prizes at stake in the dispute is oil. A geological survey in 1973-74 that the continental shelf, off Argentina, was rich in hydrocarbon sediments. Though the richest area is said to be in the vicinity of the Falkland Islands (governed by Britain, but claimed by Argentina), both Chile and Argentia bave been exploring for oil in the Tierra del Fuego area since 1977.

Up until this time, harsh weather conditions in the area bad made oil exploration prohibitive, but rising oil prices have forced both countries to search for new sources. Chile imports fully three-quarters of its oil, and although Argentina imports only about 10 per cent, its *oil* reserves have dwindled and its ruling junta hopes the Continental Shelf will produce sufficient oil to enable tha country to become self-sufficient.

But more importantly, possession of tbe islands has strategic importance in defence of the South Atlantic. In terms of bilateral strategy, the islands would give Chile the power to block access to the Beagle Channel, one of three routes of access between the Atlantic and Pacific.

Sucb a blockada would isolate the Argentine port and naval installation of Ushuaia, located on the southern shore of Tierra del Fuego. With Chilean control of the Beagle, the conntry would be elevated to the status of necessary partner in any attempt to control the region by one of the superpowers.

In 1971, both countries agreed to binding arbitration

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Fuel resources on a vast scale

ENERGY

KIM FUAD

Our Caracas Correspondent

LATIN AMERICA is a microcosm of the world energy dilemma, offering archetypal examples of paradoxes which will make energy planning in the closing years of the 20th century more of an obstacle race than a precise science.

Looming largest among these paradoxes is the disparity between Latin America's energy potential and the way it is used, with a number of the region's nations, notably Brazil, forced to beggar themselves to buy oil from the Middle East.

Yet, stretching from the Rio Grande in the north to the South Pole, bathed by the Atlantic and Pacific Oceans and enclosing seas of the size of the Caribbean, Latin America is rich in energy resources.

Its fossil fuels potential, only partially explored, provides the possibility of 740 bn barrels of oil equivalent in petroleum, natural gas and coal or more than present proven world oil reserves.

A huge network of rivers, including the Amazon with the world's largest flow, offers a potential equivalent to over 10m barrels-per-day of oil, more than current U.S. oil production.

Prospecting for uranium has barely begun. Reserves are estimated to be 80,000 tonnes, hardly realistic in view of the region's land mass. Equatorial weather in South America also provides a tremendous potential for solar and other non-conventional energy sources, such as biomass.

Nonetheless, Latin American nations have done little to reduce their reliance on oil, with liquid hydrocarbons providing over 70 per cent of energy needs which are growing at about 5.5 per cent a year.

In fact, Latin America is the most oil-dependent region in the world. Only nations such as Japan and Italy, virtually without domestic energy sources, offer a parallel. Moreover, during the past decade this dependence has increased with the region's net oil importers increasing *consumption* 7.8 *per* cent a year between 1974 and 1978.

Trade patterns

The other major paradox arises out of the fact that only a few of the more than 20 Latin American nations have oil of their own.

And it is compounded by Latin America's largest producers, Venezuela and Mexico, shipping only a small share of their oil exports to other Latin American nations. The bulk goes to their giant northern neighbour, the United States, following trade patterns established half a century ago.

Venezuela, world's largest net exporter between 1929 and 1969, and still a major supplier with exports of almost 2m b/d, sent only 730,000 b/d to regional consumers in 1979. About 80 per cent of Mexico's 750,000 b/d exports went to U.S. consumers last year.

In the 1960s, South American oil importers took advantage of lower-priced *Middle Eastern* oil during the long period of falling oil prices, cutting deeply into Venezuela's share of the market.

Imitating the energy-intensive economic policies of the U.S., Europe and Japan, the region became hooked on cheap Arab oil and, like the rest of the world, suffered the rude awakening of the oil price revolution in the 1970s.

Growth in the average gross national product declined from a 7.1 per cent between 1970-74, to 3.2 per cent in 1975. It was only last year that there was an increase, to 6.5 per cent.

In terms of energy costs, Latin American oil importers saw their bill rise from around $1bn in 1970 to $4.4bn in 1974. Last year they paid about $10bn and the outlook for 1980 is in the range of $18bn, according to one analysis. The effect on the region's foreign debt has been devastating—about $100bn was owed at the beginning of 1979.

With such incentives and a domestic energy potential so large, Latin America should have moved rapidly to reduce its dependence on oil. This has not been the case in the short term, although a number of Latin American nations have taken steps to conserve energy and to develop alternative sources. But on the whole, Latin America has found, like the rest of the world, that old habits die hard.

In terms of regional oil production, the brightest aspect has been the resurgence of Mexico as a major producer. Long exploration efforts have rewarded it with a spectacular growth in reserves which rose from 3.2bn barrels at the beginning of the 1970s to present proven reserves of about 50bn barrels.

With production currently about 2m b/d, Mexico should overtake Venezuela as the region's largest producer this decade.

Venezuela, which provided one out of every five barrels of oil traded *internationally* during its heyday, is battling to keep its old oil fields flowing while developing the enormous resources of non-conventional oil — between 700bn and 3 trillion (million million) barrels — in the Orinoco oil belt.

The initial output of Orinoco oil should reach about 300,000 b/d by the end of the 1980s, at a cost of over $8bn and a 1m b/d target has been set for the end of the century.

Increased oil prospecting throughout the region should eventually increase the number of Latin American nations self-sufficient in oil from the current five: Venezuela, Mexico, Ecuador, Trinidad and Bolivia.

Despite an estimated potential of 430bn barrels of oil plus 150bn barrels equivalent in natural gas off and onshore, most energy planners in Latin America have placed the emphasis on alternative energy sources and conservation.

The seven-year-old Latin American Energy Organisation (OLADE) last year established guidelines for regional energy *policies in a meeting* in San Jose, Costa Rica. It called on its 23 members to:

- Rationalise energy consumption.
- Increase and diversify conventional and non-conventional sources.
- Re-order regional oil trade.
- Optimise transport, storage and distribution of oil.
- Guarantee a short-term stable supply for developing nations dependent on oil.
- Strengthen programmes to share energy resources between neighbouring countries.
- Promote the interconnection of electric power systems.
- Encourage co-operation and technology transfer between regional and non-regional energy consumers and producers.
- Intensify direct government-to-government oil sales, to eliminate intermediaries, including international oil companies.
- Establish the means to increase finance for energy projects by developing countries as well as international institutions.

OLADE is now completing a study of Latin America's energy balance up to the year 2000 as a basis for establishing what it calls a "coherent and realistic" regional energy policy.

In the short term, OLADE is preparing incentives and technical advice for member countries which are to undertake or have already undertaken oil exploration and production.

Additionally, it has sought to rationalise oil consumption to give importers relief in balance of payment problems.

In the longer term, the goal is to develop new energy sources and make better use of available energy, as well as setting up programmes to produce capital goods needed by the Latin American energy sector.

OLADE has a multiple role in this process, *providing a forum* for analysis of problems and promoting regional and extra regional technical and financial exchanges.

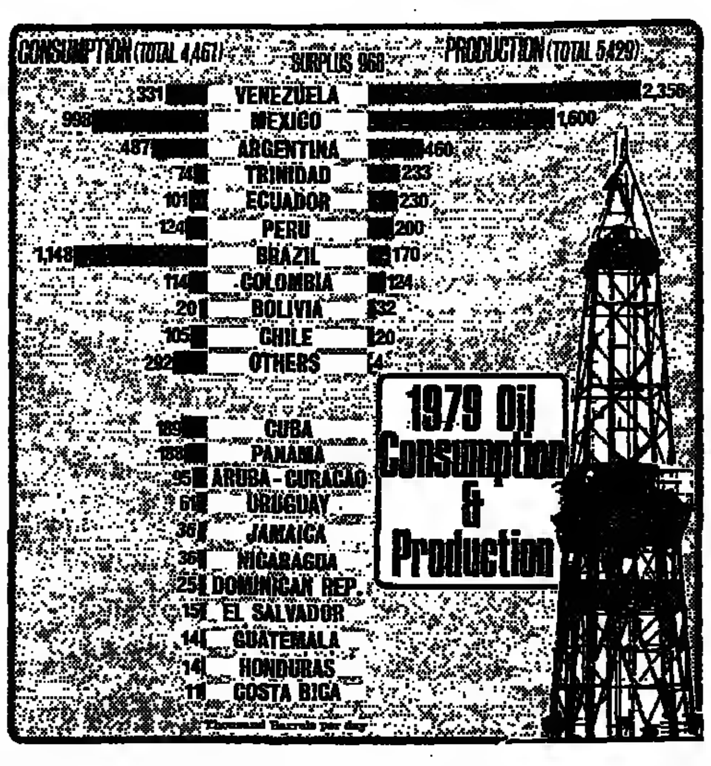
Mr. Humberto Calderon Berti, Venezuela's Energy Minister, has been the driving force behind OLADE's positive stance following years of non-productive bureaucratic activity.

The 38-year-old petroleum engineer has turned Venezuela into a bridge between OLADE and the Organisation of Petroleum Exporting Countries, of which Venezuela is a founding member. He has also proposed a hemispheric energy development programme with the U.S. providing finance and technical knowledge in exchange for a share of the oil such a programme is expected to bring onstream in Latin America.

At the same time, Venezuela has provided aid to neighbours in Central America and the Caribbean, allowing them to finance their purchases of Venezuelan oil in the long term.

These nations will pay the 1979 price for oil, about half of the present price, with the rest financed through five-year loans at 4 per cent annual interest, President Luis Herrera Campins said earlier this month.

Venezuela is now trying to get Mexico to shoulder part of the oil aid for Central America as well as seeking to broaden the scope of the OPEC special fund to benefit more Latin American nations.



Islands dispute

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by Britain, but in the following six years before a decision was handed down, the island's strategic and economic importance increased. In May of 1977, the ruling came that Picton, Lennox and Nueva belonged to Chile, Argentina was to receive nothing.

Argentina rejected the decision, on the grounds that it violated an 1893 treaty under which Chile renounced all territorial claims to the Atlantic Ocean and Argentina did likewise for the Pacific. Chile, with the arbitration and international law on its side, protested.

Both governments then agreed to initiate discussions on "mutual interest in the south," and Argentina applied a series of pressures to try to induce the Chileans to compromise. As these talks faltered, Argentina rejected a suggestion that the dispute be submitted to a third party, and preparations for war began on both sides.

Military academies in Chile were closed and students sent south for "field training." The Ministry of Education in Buenos Aires ordered Argentine teachers to give early end-of-year exams in view of a possible closure of the schools, and a number of factories were ordered to produce for military consumption only. In addition, the 8m residents of Buenos Aires were subject to air raid drills, and along with the rest of the country were confronted with heavy Government propaganda glorifying the military.

During this period of military build-up, Chile invested $500m in arms purchases, while Argentina bought $750m worth of equipment.

Under pressure

These tensions reached a peak in December of 1978 as Gen. Videla found himself under considerable pressure from his colleagues, who doubted the worth of any further mediation efforts. When U.S. intelligence sources in Chile reported that they suspected the Argentine military was about to occupy one of the islands, troops were put on full alert and war seemed inevitable.

The intervention of Pope John Paul II probably prevented the war. On December 22, 1978, he announced that both countries had accepted his offer on mediation and a Latin America specialist, Cardinal Antonio Samore, was despatched to the scene.

Samore, using his own brand of shuttle diplomacy, spent two weeks conferring (and playing) with Chilean and Argentine officials. On January 8, in Montevideo, Uruguay, both countries signed an agreement to resolve the dispute peacefully and to demobilise their troops.

For over a year negotiations have been carried out in a tripartite fashion, but no details of the talks have been revealed. Speculation has been growing, however, that Pope John Paul II will announce some breakthrough in the mediation when he visits Brazil next month, possibly detouring to the Chilean-Argentine border to offer a mass for peace. One possible proposal is that Chile would be awarded possession of the islands in exchange for ceding some water rights to Argentina.

Such a proposal, however, may not be acceptable to the Chileans. Earlier this month, foreign relations Under-Secretary, Lieut.-Col. Ernesto Videla denied a report, published in the *Il Giornale Nuovo* that Chile could renounce its claim to 200 miles of territorial waters as a result of the Papal mediation.

Then there is the matter of the countries' overlapping claims to territory in the Artactic. Possession of the islands could have much bearing upon who governs which areas and the South Pole's largely-unexplored resources. The territorial waters of Lennox, Picton and Nueva project a region of sovereignty which, if awarded to Chile, could virtually block off Argentina from major maritime routes in Antarctica.

In February of this year, Chile inaugurated an airstrip on the Shetland Island Archipelago of Antarctica, despite the fact that this area lies within the territory claimed by Argentina.

Britain, it should be noted, claims an era overlapping both *Chile's and Argentina's claims.* And according to the terms of a 30-year treaty, signed in 1961, all territorial claims to the Antarctica were to be suspended.

For all the animosity between their respective governments, the citizens of Chile and Argentina show little interest in territorial claims. Instead, most have shown a touching desire for peace and reconciliation. This was especially evident June 8 of this year when the Catholic church in both countries exhorted the faithful to publically pray for peace.

Prayers for peace

In Buenos Aires, some 300,000 people endured a constant rainfall as they gathered in Congress Plaza to pray for a solution to the dispute. After an out-door mass, the crowd marched 13 blocks to the seat of Government, waving bankerchiefs and singing, "long live our sister republic of Chile."

In a more materialistic vein, the Buenos Aires and Santiago Chambers of Commerce this month exchanged letters reiterating their desire for an end to the conflict.

"The example of countries in the old world should warn us," a letter from the Chilean organisation to its Argentine counterpart said. "If the centuries-old animosity between France and Germany resulted in the loss of thousands of lives, how could our traditional friendship and brotherhood, dating back to the independence struggle, be destroyed."

Trade between Chile and Argentina, reached $420m last year, according to Argentine Ambassador in Santiago, Sergio Onofre Jarpa, who predicted further increases this year. The two countries, though neighbours, are not especially important trading partners, with the bulk of commercial exchange carried out with the U.S., Japan and Europe.

Meanwhile, a limited economic co-operation is taking place in the heart of the disputed region. Argentina has sent at least 4.3m cubic metres of petroleum through an oil pipeline, owned by ENAP, the Chilean State oil company. The arrangement is part *of a 1966* agreement *which* provides for binational oil shipment in the southern tip of the continent.

Huge potential for development

FOOD PRODUCTION

JOHN CHERRINGTON

EXTENDING from the southern U.S. frontier to Cape Horn, Latin American soils and climates have the potential for feeding and clothing populations many times more than those at present living there.

The Amazon basin alone has the capacity of an enormous development of production when modern technology is sensibly applied. I am not among those who forecast that the removal of some of the forests will change the climate—since rain forests grow where there is ample moisture in the first place, as does all vegetation.

There are huge areas where production is at its most primitive—and where large populations sometimes live in a state of utter misery, squalor and destitution. But this is the result of human shortcomings, not of natural failure. If a society cannot be organised to give a reasonable life to all its members, the fault is almost invariably due to the Government of that country (of whatever shade it may be), or perhaps to an apathy among those who simply accept bad conditions.

But, in this connection, it must also be said that all these countries were mercilessly exploited by the Spanish and Portuguese in the first place and then by other European commercial interests, once the Spanish and Portuguese empires had been overthrown. This exploitation of cattle and grain in Argentina, for example, or of coffee and other tropical products further north, and of nitrates on the West Coast, were like the gold sent home by the Spaniards. They supplied the appetites of the West, while at the same time repatriating the profits, along with the commodities.

This system could be said to have ended in the great commodity slump of the 1930s, when when crops were destroyed or burned and vast areas went out of production. Those times have never returned—at least not on the scale of the pre-slump days, partly because of a new-found protectionism in the West, the latest example of which is the EEC, which not only shelters itself, but its erstwhile tropical colonies from the harsh winds of unrestrained competition. But there were other even more potent reasons.

Argentina should, by all its advantages of soil and climate, be one of the great food exporters of the world, rivalling the middle west of the U.S. But Argentina's development is almost static, in this respect. Crop yields are little better than they were when I first worked there, 50 years ago. Densities of livestock are even lower today, in many cases, than they were then.

The reasons for this are twofold. Successive governments, since the days of Peron, raised revenue by taxing exports which, of course, discouraged farmers from selling cattle for export, as it did grain. But, even more serious, was the fact that no Argentine government has ever made it possible to use fertiliser, particularly phosphate which would have had to be imported.

Very little land is so good that it can be kept fertile without the replecement of some of the basic plant foods on which all crops depend, and which cropping will eventually remove. It is possible to see the spectacular benefits of applied fertilisers in at least a few places in Argentina where they have been applied, however.

Green Revolution

This point was particularly emphaised in the development of the Green Revolution wheats in Mexico. The catalyst of this particular work was Dr. Norman Borlaug, of the Rockefeller Foundation. He was sent to Mexico some 30 years ago to see if he could make the country independent of imported wheat supplies.

In this, Dr. Borlaug was successful. His dwarf wheats doubled Mexican grain yields, as they did those of every country in the subtropical belt where they were used. But they did depend on inputs of fertiliser and, in some cases, of irrigation where, unlike Argentina, moisture was lacking. It is possible to correlate a country's grain yields per hectare with the prime level for the crop and, at that time, Argentina enjoyed the lowest prices and the lowest yields.

A common panacea for social distress is land reform—and this has been practised, in varying degrees, in many countries of Latin America. The *theory* is fine. The big estates of the landowners, possibly badly operated, are divided between the workers or landless peasants. In practice, although these measures do bring a measure of social improvement, they have done little to increase food production in the economic sense, except in a very few cases.

After the great revolutions in Mexico in the first 20 years of this century, much of the lend was divided up in the Ejido system, and the peasants received between two and four hectares of land each. These holdings are increasingly difficult to justify economically, and could not occupy—or even support—the increasing populations living on them. The result has been a continuing drift to the towns.

It is significant that the best results of Borlaug's work are to be seen on the irrigated deserts of Northern Mexico, a region which was not considered worth dividing into Ejido holdings, when the movement was at its height, although there are widespread attempts to seize it for the peasants now that its potential has been recognised.

The best-directed land reform that I saw was in Peru, when the General's government was at the height of its power. But here emphasis was on the word "directed"—elsewhere on the continent most schemes were politically orientated and many of them were in shambles. And production suffered, too.

While Argentina has the powers for land reform on the statute, it has never used them in the same way, possibly because there have not been the pressures of an angry peasantry. Nevertheless, this is one of the countries where another force has involved the break down of big estates.

This was the Code Napoleon, the law originated by the Emperor and adopted in most Latin countries. The code lays down that the property of the deceased should be divided equally between his children. This is one of the few laws which the Argentines, not a notably law-observing people, obey implicitly. This, during the last 50 years, has had a most beneficial effect on the country's farming structure. But the system has not yet been operating long enough to subdivide land down to the ridiculous fragments that it has in parts of Europe.

Spectacular results

The results that I have seen in Latin America have been quite spectacular. One particular ranching company, of 40,000 hectares, had three owners. Now it has more than 60, and the property has been sub-divided down to the extent that straight ranching has had to give way to intensive cropping, milk production, and so on. The effect of this has spread to the local towns which has developed from a rail head shipping a few thousand steers a year, to a base for a complete infrastructure of processing and supply industry.

Paradoxically the weakness of agriculture in Latin America has been the fact that it was developed with an eye to European markets as to the main food crops and, of course, worldwide as far as the more expensive tropical crops, such as coffee. These are generally subject to the vagaries of commodity markets, as are the cereals and meat products.

In these overseas markets, and even at home, the home products are subject to the protectionism and the competition of temperate agricultural systems which are supported by a strong industrial base. Chile, for instance, had a reasonable sugar beet industry at one time. It was highly labour-intensive and, thus, of real value to the community. Under the influence of the Chicago school of economics, sugar protection was removed, and the market was flooded with sugar at the world price, led by EEC sugar, sold with a heavy subsidy. Now the factories are closed, and the machinery is for sale. But, meanwhile, the world price of sugar has trebled.

The logical outcome of Latin American farming should be the provisioning of the countries in the area for which there is plenty of scope, as populations rise. But the problem here is the lack of an industrial base to provide not only the resources of food production, but the viable markets, as well. It is no accident that the most productive and profitable farming systems have developed in the most advanced industrial countries.

POPULATION, BY COUNTRIES

(Figures in thousands of inhabitants)

	1950	1978	2000
Latin America	160,271	344,168	601,247
Argentina	17,150	26,395	32,861
Bahamas	79	220	330
Barbados	211	249	285
Bolivia	2,703	5,285	9,299
Brazil	52,901	119,477	212,507
Chile	6,091	10,732	14,934
Colombia	11,597	25,614	42,441
Costa Rica	958	2,111	3,377
Cuba	5,858	9,718	12,717
Dominican Republic	2,361	5,653	9,333
Ecuador	3,307	7,543	14,596
El Salvador	1,940	4,524	8,708
Guatemala	2,962	6,839	12,739
Guyana	423	846	1,256
Haiti	3,097	5,534	9,860
Honduras	1,401	3,439	6,978
Jamaica	1,403	2,115	2,726
Mexico	26,606	65,421	132,244
Nicaragua	1,109	2,559	5,154
Panama	825	1,808	2,823
Paraguay	1,371	2,888	5,274
Peru	7,832	16,821	29,468
Surinme	215	461	904
Trinidad and Tobago	632	1,041	1,230
Uruguay	2,194	2,886	3,448
Venezuela	5,145	13,989	25,705

CELADE, Boletin Democrafico.

Emphasis on road projects

TRANSPORT

RIK TURNER

Our Sao Paulo Correspondent

WHILE MEXICO, Argentina and Venezuela are all blessed with ample supplies of petroleum within their national boundaries, Brazil suffers from a dependence on imported oil.

Brazil's dependence cost the country \$6.2bn last year, when 367m barrels were imported. It is largely, although not exclusively, a result of the nation's transport system in which 80 per cent of all goods are carried by road.

So of the 65m litres of petroleum derivatives produced in 1979, 15m were consumed in the form of petrol and 17m in the form of diesel, of which 54 per cent went on road transport.

The decision to develop the road network was taken in 1930, when a government keen to encourage the growth of Brazilian industry and an accompanying home market opted for roads rather than railways.

The letter already existed at the time having been built and administered by British capital, but as with Argentina, the network was designed to serve the needs of pre-industrial society—in other words it ran between the farms of the interior and the ports, where products were exported to Europe and North America.

Difficulty

In Argentine's case the advent of the railway had actually prejudiced the growth of local industry because the Government consistently followed a policy of importing manufactured goods.

When Brazil opted for the development of highways, it meant the integration of the domestic market, and when car production was established in the 1950s, it meant both major employment opportunities for a growing urban population and a new mobility for the middle class. Furthermore, it encouraged the development of accompanying industries, from steel production to car components, meaning even more jobs and consolidating the drive for industrialisation.

As a result, 80 per cent of all goods are now transported by road in 1.4m commercial vehicles, and people not lucky enough to own one of Brazil's 7.7m passenger cars travel mainly on one of the national fleet of 1.04m buses rather than by train or boat.

The consequences of the choice, unforeseeable in the 1930s, were felt acutely after the 1973 oil crisis, when the country's balance of trade took a sudden turn for the worse. Many non-Government economists estimate a \$3bn deficit this year.

This has brought the whole qustion of transport under review. The dominance of highways cannot be altered overnight, and with some 80,000 km of highway in existence and 7m cars on the road, a major switch to railways is unrealistic.

Various solutions are being attempted. In the short-term petrol consumption is being discouraged by price rises and by closing petrol stations at weekends. But these moves did not pass without protest, particularly from taxi drivers, who went on strike last year for petrol subsidies.

The long-term answer, as Professor Walter de Lazaro of the Institute of Technological Research says, is a change "not in the mode of transport but in the type of fuel used." Thus the Government is embarked on a scheme to replace petroleum-based fuels with biomass energy generated by agriculture.

In the case of passenger cars, Brazil is opting for ethyl alcohol distilled from sugar cane. The programme, known as Proalcool, is an expensive one, as indicated by last year's jumbo loan on the Euromarkets of \$1.2bn. But it is one solution for a country in whose economy the car industry plays such a central role, being responsible for a total of \$1.09bn in exports last year, and creating employment for 120,000 people.

At the same time, measures will be needed to encourage more urban dweller to use public transport. First, the systems themselves, will have to be greatly improved. Sao Paulo and Rio de Janeiro have underground train systems in varying stages of development, while in other cities such as Porto Alegre, existing rail systems which had fallen into disuse are to be reactivated.

This month, Sr. Eliseu Resende, Transport Minister, signed a contract for the supply of 60 electric locomotives by General Electric. A total of \$850m is to be spent on metropolitan railways by 1982, of which \$160m has already been advanced by the World Bank.

In many cities, central areas have been transformed into pedestrian-only districts, and at least one city, Curitiba, has introduced cycle lanes.

On the goods transport, Sr. Resende admitted recently that "highway transport predominates in Brazil and will continue to do so for a long time." With regard to the efforts to increase rail traffic, he said that "it will be difficult for this form of transport to rise to more than 10 per cent of the total of cargo transported."

The two major rail projects are the Iro nand Soya Railways. The first, to be finished by 1984, will link Cascavel on the Paraguayan border to the port of Paranagua, and its object, as the name suggests, is primarily the transport of Soya and other agricultural products from the state of Parana and Mato Grosso do Sul.

The second and more dramatic project is the Iron Railway, running from the iron ore deposits in the state of Minas Gerais to the steelworks of Volta Redonda in the state of Rio de Janeiro. The railway will have two branches. One line will run to the port of Rio de Janeiro and the other to Sao Paulo where it will serve the steelworks of Cosipa. On the return journey it will carry both Brazilian and imported coal.

Controversy has surrounded the Iron Railway since it was first planned in 1973. By 1979, it was estimated that the final cost of the line would be \$3.6bn, much of which will have come from foreign loans such as the \$700m Sr. Resende obtained from his visit to the World Bank at the beginning of June after the work had been suspended in 1975.

Decision

The new administration which came to power in March last year decided to finish the project on the grounds that 50 per cent of the earthwork had already been done and it would be wasteful to leave it incomplete. The line will start operations with diesel trains in 1982, and with electric trains the following year.

Another transport system seen as an alternative to roads is the waterways. This system is to be modernised, and the country's ports are to be improved and new ports built.

A container terminal is to be built at Santos, Latin America's second biggest port after Buenos Aires. It is already responsible for the movement of 45 per cent of Brazil's exports.

As containerisation becomes more common in Brazil, it should increase the number of heavy lorries on the road from the present 7 per cent and help reduce fuel consumption, as well as providing a solution to the problem of varying gauges on the railways.

Roads will remain the major mode of transport in Brazil. Furthermore in Brazil, a country still in the phase of colonisation of much of its interior, roads play an added role. They open up the so-called "Agricultural Frontier."

هكذا من الأصل

BANCO DE LA NACION

BANCO DE LA NACION · PERU

Financial agent of the Government of Perú

COMPARATIVE BALANCE SHEET 1979 - 1978 - 1977
(in $ Thousands)

	1979				1978				1977			
ASSETS		N/C*	F/C**	Total		N/C*	F/C**	Total		N/C*	F/C**	Total
Cash and due from Banks		688'192	435'382	1,123'574		39'453	57'451	96'904		29'192	54'545	83'737
Loans	1,068'041				770'210				486'689			
(–) Provision for Bad Debts	(40'212)	1,027'829	247'893	1,275'722	(9'628)	760'582	545'406	1,305'988	(6'084)	480'605	286'684	767'289
Investments					110'212				105'277			
(–) Prov. for Security Fluctuations	117'327	114'257	18'894	133'151		110'022	4'807	11'929		105'192	1'703	106'895
Gross Fix Assets	3'070				(190)				(85)			
(–) Depreciation	9'775				3'156				1'964			
Net Fix Assets	1'724	8'051		8'051	(1'576)	1'580		1'580	(1'608)	356		356
Other Assets		223'771	72'774	296'545		77'361	9'132	86'493		81'821	36'038	117'859
Sub total		2,062'100	774'943	2,837'043		988'998	616'896	1,605'894		697'166	378'970	1,076'136
Contingent Assets		1'018	540'236	541'254		328	1,127'248	1,127'576		149	768'566	768'715
TOTAL		2,063'118	1,315'179	3,378'297		989'326	1,744'144	2.733'470		697'315	1,147'536	1.844'851
LIABILITIES												
Demand deposits		1,111'836	56'554	1,218'390		327'591	71'766	399'351		192'935	42'983	235'918
Time deposits		262'007	409'001	671'008		237'905	109'552	347'457		223'154	61'643	284'797
Indebtedness from Banks and Agents		496'318	132'154	628'472		350'923	401'257	752'180		281'374	242'030	460'404
Savings Accounts		272		272		179		179		58	58	58
Other Liabilities	94'291				44'506				46'751			
(–) Advance Compensations	(23)	94'268	177'169	271'437	(26)	44'480	34'321	78'801	(23)	46'728	32'314	79'042
Capital and Reserves		17'550	65	17'615		15'530		15'530		11'469		11'469
Revaluation Surplus		1'147		1'147		92		92		34		34
Undivided profits		12'292		12'292		1'371		1'371				
Fiscal Year Net Profit		16'410		16'410		10'927		10'927		4'414		4'414
Sub total		2,062'100	774'943	2,837'043		988'998	616'896	1,605'894		697'166	378'970	1,076'136
Contingent Liabilities		1'018	540'236	541'254		328	1,127'248	1,127'576		149	768'566	768'715
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1 US$ = S/. 230.00 – * National Currency – ** Foreign Currency

Banco de la Nacion has a status of juridical person of public right with its capital totally contributed by the State. Due to this particular condition it differs from other banks, but as far as its structure, types of operations and the possibility of being inspected by the "Superintendencia de Banca y Seguros" it is similar to private commercial banks.

On the other hand, the major volume of transactions is undertaken with the public sector, specially those related to the handling of the peruvian treasury accounts; the collection of taxes and fiscal revenues, the payment of the foreign external debt; the importation of food stuffs and armament adquisition. These activities —as can be noted— can not be entrusted to ordinary banks.

Banco de la Nación has expanded its operation in a parallel manner to the considerable development of the public sector. For instance, the resources of Banco de la Nación exceed in 20 o/o that of all commercial banks combined. This favours the international position of the Bank with regard to trade transactions and the procurement of credit facilities.

The year 1979 is to be regarded as a successful one for Banco de la Nacion, because of the refinancing of US$388'6 Petro-Perú's short-term debt. The Chairman of the Board and Executive President, Doctor Alvaro Meneses Díaz, has contributed decisively to the success of the negotiations.

As a consequence of this refinancing total obligations in foreign debt have been reduced but, on the other hand, Banco de la Nacion has increased considerably its loans in local currency with public enterprises such as Petroleos del Perú and EPSA and central government agencies. Likewise obligations of Banco de la Nacion with banks and correspondents abroad have declined, but it was not necessary to recover formal external credit lines in order to finance commercial trade.

Shortly after foreign commercial operations declined, in 1978, as a result of the transfer to commercial banks of a considerable volume of public sector operations, Banco de la Nacion stands again in a competitive position within the banking community and is regaining former clients, thus improving its total operations.

As a definite example of favorable results obtained, the indexes of liquidity and income of Banco de la Nación have increased considerably. The level of income passed from 5.2 to 8.1 o/o and Profits from 0.4 to 0.6 o/o.

Finally, in comparison to 1978, Banco de la Nacion during 1979 expanded its operations from US$2,733', to US$3,378', which denotes its remarkabla output.

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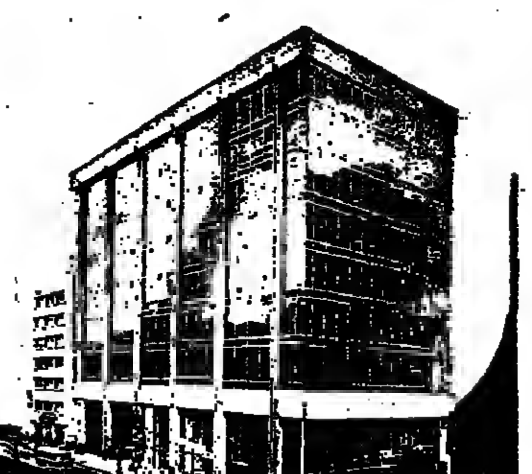


PUBLIC RELATIONS OFFICE

BANCO DE LA NACION

Investors in cautious mood

MINERALS

PAUL CHEESERIGHT

LATIN AMERICA has the greatest potential for development of aoy region in the Third World, declared Sr. Enrique Inglesias, executive secretary of the UN Economic Commission for Latin America. One of the reasons he cited to back up this judgment is its big natural resources base.

Certainly there is no shortage of minerals for exploitation. Large deposits await the influx of funds and expertise for their development, and wide tracts of the continent remain unexplored. Yet the prospects are uneven and the optimism wbich seemed prevalent in 1978-79 bas given way to caution.

Much depends on the way in wbich the relationship evolves between the international mining companies and bost governments. Generalisations abont a contineot are dangerous, of course, but broadly speaking, the companles held back their latent interest in the continent during the 1970s.

In the first place the political atmosphere seemed inimical to their interests. Latin American countries were prominent in the movement among developing countries to wrest control and assert sovereignty over their natural resources, which reached its apogee during the early part of this decade.

Political risks

With the nationalisation of U.S. interests in Chile in the background, many companies held back—it was not that they doubted the wealth of the resources, it was simply that they were not prepared to take the political risks.

Their circumspection became more marked with the recession in the middle of the decade. With cash flows under pressure and costs escalating, there was little inclination to seek that balance of mutual advantage with Latin American governments which would have permitted a large flow of new investment.

But by the end of the decade there was a deal more confidence. The Latin American countries seemed to the companies to be more ready to reach a *modus vivendi*, to encourage the inflow of capital for development which their own limited finances would not permit. The companies themselves, from the aecond half of 1978, were achieving progressively better financial results.

The new mood was encapsulated at the end of last year by Mr. Alexander Sutulov, the executive director nf the Mining and Metallurgical Research Centre in Chile, speaking at an Institution of Mining and Metallurgy confrence in London. He said Chile had the copper that the major consuming nations would need and that if they wanted to share the benefits of its extraction they would have to provide the capital.

With North American groups like Exxon, Falconbridge, Noranda, and St. Joe Minerals reaching agreements for new developments in the country, there was telling evidence of this new mood of confidence, at least in Chile. And, in Argentina, the passing of a new mining promotion law was further testimony that foreign participation would be actively welcomed.

Yet, with the international ecooomy seizing up with a new recession, it is possible that the international companies will bold back from new commitmeots although they will doubtless follow through existing projects. This year's deterioratioo in metal prices could in itself cbeck new investment plans. At the same time it will make hank borrowing more difficult.

So the Latin American industry is delicately poised. But it is oo fledgling to be tossed to and fro on the world's markets. Despite the uncertainties of the past 15 years or so, it remains a significant factor in the internatiooal minerals aupply demand equation.

A dozeo countries play roles in deciding just how the markets will move. Strong links bave been built up this century with the major consumers in North America, Europe and Japan, while industrial development on the contineot itself ensures a growing regiooal market.

Chile and Peru have for years been members of the Council of Copper Exporting Countries. Yet Chile is also a force on the world molybdenum market, and Peru is an important producer of lead, zinc and silver.

Mexico is the world's largest producer of silver, bnt also bas well-developed ontput of lead, cadmium and fluorspar. Brazil has established itself as a major and growing mining area with internationally valued output of iron ore, manganese, tantalum and tungsten. Exploration in the cootry has been active for some years and it is expected that Brazil will soon be a more powerful hauxite exporter.

Guyana is already well-established on the world bauxite market. Bolivia has traditionally been famous for its tin production aod notorious for the way in which it is produced, bnt it also has a major trade in antimony aod tungsten.

Venezuela is best known as an oil producer, but bas also developed as an iron ore exporter. In recent years, both Guatamala and the Domioican Republic have emerged as significant nickel exporters.

There is, however, ooe characteristic of the continental industry which offsets it from the mining sectors of the countries in the developed world. This is the high level of state participation, often through especially established state mining companies.

In Bolivia, for example, there is the Corporacion Minera de Bolivia (Comibol) aod ENAF, a state smeltiog organisation. In Chile there is Codelco, in Panama there is Codemio. The state agency in Peru is Centromin. In Guyana it is Guyana Bauxite Mining Enterprise.

Adequate control

The reason for this level of official involvemeot is clear. It provides a means for a country to assert control over its own resources and to gain the profits frnm them. It is a tangible expression of the desire not to be held to ransom by foreign capital. The basis of state involvement is ideological rather than economic.

Yet the relationship between the state company and the private sectnr, whether local companies or those supported by overseas funds, can be uneasy. Private sector tin producers io Bolivia chafe under the obligation to have a certain portion of their output smelted by ENAF, which holds its prices at international levels, thus eliminating any cnst advantage for the mining companies in lncal processing.

And foreign companics regard direct co-operation with the state mining sector with some suspicion, especially as far as joint ventures are concerned. The fact is that the state officials and the foreign companies tend to operate according to different criteria.

"There may be great pressure on the Government nfficials who serve as directors of the eoterprise to use their influence to accomplish social aod political objectives uorelated to the engineerlog and financial requirements of the project," said Mr. Charles Barber, the chairman nf Asarco, the U.S. copper major which is the biggest shareholder in Southern Peru Copper Corporation, the developer of one of the world's biggest copper mines at Cuajone.

And because the state agencies are seen not merely as a business but as a vital tool in the social aod economic fabric of the country, they do not necessarily act in accordance with the immediate dictates of the market.

Thus, in 1976-77 the U.S. domestic copper industry was seeking protection from lower-priced foreign imports, because it was coping with both recession in demand and higher capital spending to meet environmental standards. Part of its concern was direcied against Chile, which wanied to keep up production regardless of the market, largely to protect jobs.

Yet the state ageocies may have a crucial role to play in the raising of finance for new projects, and the expansion of existing projects.

Less attractive

Both bankers and senior mining executives attest to the fact that bank borrowing by the mineral industry is becoming more difficult. A combination of the high exposure of international banks in the Third World and the uncertainty of metal prices has made project financing less attractive. Instead of treating the project itself as security for loans — in the sense that 29 iotemational banks did with a $200m syndicated loan for Cuajone — hanks are now seeking guarantees from participating companies.

But cost escalatinn has meant that such guarantees for major projects are outside the scope of mnst companles in the private sector. "With few possible exceptions, international mining companies do not have the resonrces to make npen-ended commitments in this capital-intensive, high-risk industry," noted Mr. Barber. It is at this point that the state agencies come in.

The hanks prefer sovereign risk lending in Latin America, explaioed a London banker. This means a guarantee from the government, and that is precisely what the state agencies can bring with them.

But there are complications. The credit rating of a particular state ageocy is linked to that of the government itself and the view the banks take of its ecooomic prospects.

It is difficult to establish an agreed list of countries to which banks prefer to lend, the London hanker said. There are numerous classifications and they cbange all the time. Four years ago, Chile would bave found it hard to arrange funds for its mineral industry, but now the banks fall over themselves to lend money, he added.

But Mexico is at the top of the banks' preferences, while Bolivia, Salvador and Nicaragua, where the industry was recently nationalised, are at the bottom.

Banks in any case have to relate the project to the general economy of the country. They would be cautious about Panama, where financing for the buge Cerro Colorado project, in which Rio Tinto-Zinc has just taken a share, could double the country's foreign debt. Should the project go wrong it could drag the whole country down.

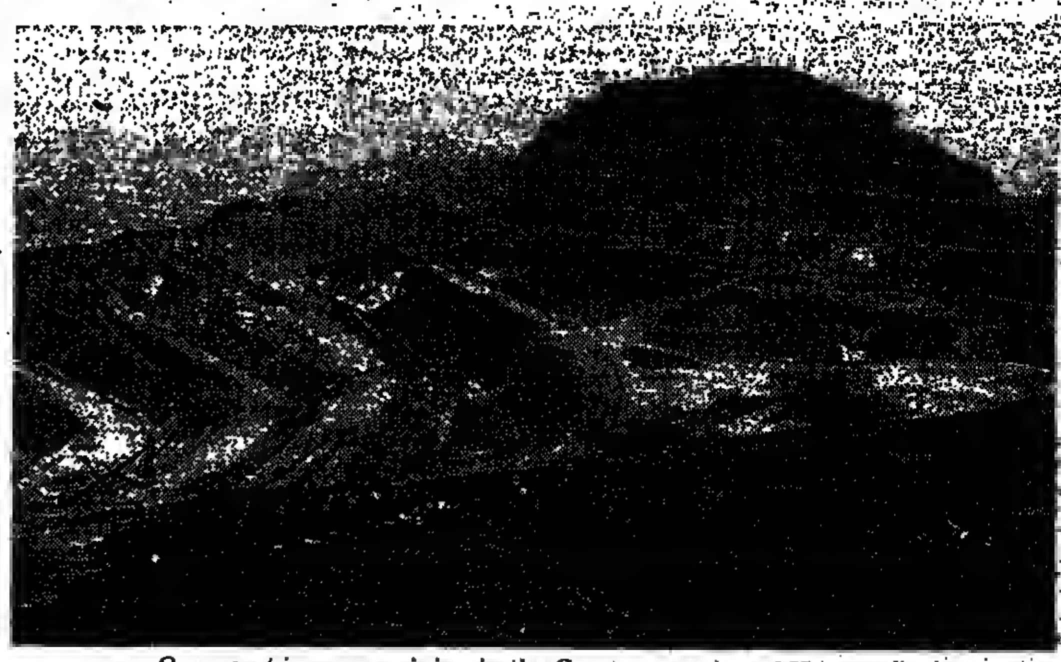
Significantly though, the *Canadian Export Development Corporation* bas agreed more than $1bn of loans for Cerro Colorado, and, generally, it seems that funds are more readily available from official institutions, especially where they are linked to the purchase of equipment from the lending country.

This readiness notwithstanding, there seems little doubt that as Latin American countries seek to work out a relationship with foreign capital on a political level, the main problem facing the continent's mineral industry is financial.

KEY MINERALS

		% World Reserves	% World Production
ANTIMONY	Bolivia	8.3	20.9
	Mexico	5.0	3.9
BAUXITE	Brazil	9.5	1.5
	Guyana	3.8	4.0
	Surinam	1.9	6.0
BARYTES	Peru	3.9	5.3
	Mexico	3.9	5.2
CADMIUM	Mexico	2.9	5.1
	Peru	4.4	—
	Brazil	2.9	—
COPPER	Chile	19.5	13.2
	Peru	6.4	4.4
	Mexico	3.6	—
FLUORSPAR	Mexico	13.0	20.1
IRON ORE	Brazil	17.5	8.9
	Venezuela	1.4	1.8
LEAD	Mexico	3.9	4.6
	Peru	3.1	5.0
MANGANESE	Brazil	2.4	5.4
MERCURY	Mexico	4.8	3.1
MOLYBDENUM	Chile	31.2	11.9
	Peru	2.9	0.5
NICKEL	Dominican Republic	1.7	3.0
SILVER	Mexico	13.9	14.3
	Peru	10.0	11.2
SULPHUR	Mexico	4.5	3.6
TANTALUM	Brazil	4.9	9.1
TIN	Bolivia	9.8	14.0
	Brazil	5.9	3.2
TUNGSTEN	Bolivia	2.0	7.0
	Brazil	0.9	2.6
VANADIUM	Chile	1.4	3.1
ZINC	Peru	5.2	7.2
	Mexico	2.1	3.9
ZIRCONIUM	Brazil	2.4	0.5

Source: Non-fuel minerals data base, prepared by Phillip Crowson, Royal Institute of International Affairs, London, 1980.



Open-cast iron ore mining in the Guayana region of Venezuela

هكذا من الأصل

Prospects for strong growth

MOTOR INDUSTRY

KENNETH GOODING

SOUTH AMERICA has already spawned one motor industry "giant" in Brazil, which joined the top ten manufacturing countries in 1978, and there are firm prospects for other parts of the sub-continent to follow suit.

Mexico, according to some observers, might well get involved in the same kind of special relationships with the U.S. motor industry which Canada already enjoys so that to all intents and purposes it would be treated as one more state. Mexico's oil, of great interest to the U.S., would provide the lubrication to set such a special relationship on its way.

Looking further ahead, a motor industry of some potential is being set up by the Andean Pact countries with bases in Venezuela, Peru, Ecuador, Colombia and Bolivia. As these five draw closer together, so might Argentina and Brazil in spite of the historic differences between the two countries.

Argentina, Brazil and Mexico already have well-established motor industries making cars, trucks and buses from local components.

Other countries currently make do with assembly operations which at least provide some jobs). These include Chile, Columbia, Ecuador, Peru, Uruguay and Venezuela. So far the motor industry has not made much headway in Bolivia and Paraguay, countries which combine poverty and sparse populations.

As with other industries in which products incorporate relatively high technology, the Latin American motor industry was set up with the help of companies from the developed world. The U.S., European countries and Japan are all well represented — although, in typical fashion, the Japanese have preferred to ship out kits for assembly rather than use local components.

Volkswagen of Germany is the dominant manufacturer in Latin America, with well-established interests in the three major markets: Brazil, Mexico and Argentina. General Motors and Ford both have substantial manufacturing operations in Brazil, Mexico and Venezuela. Ford has other plants in Argentina, as does GM in Columbia.

Major rival

GM, now intent on catching up with its major rival Ford in markets outside the U.S., has been building up its interests in South America. Financial problems have forced Chrysler U.S. to sell off most of its subsidiaries outside the U.S. This benefited GM, which acquired the Chrysler assets in Venezuela and Colombia during the past year or so.

Volkswagen also helped itself to a bigger slice of the South American cake by taking full control of Chrysler companies in Brazil and Argentina. The German group will try to use these to build up its commercial vehicle business in the area.

In the commercial vehicle sector, the Scandinavians are well represented by Scania and Volvo. Daimler-Benz has plants in three countries, Argentina, Brazil and Venezuela, while other companies in South America include the three American truck concerns, Mack, White and International Harvester.

Fiat of Italy also sees South America as an essential link in its plan to become a world-wide manufacturer, not only of passenger cars but via its IVECO truck and bus offshoot.

In 1953 Fiat and VW reached an agreement about two of the important South American markets—Argentina would be Fiat's province and Brazil would be left to VW. But in 1975 the agreement was ended when Fiat introduced a version of its 127 —called the 147—to Brazil.

Faced with the prospect of retaliation by VW in Argentina, via production at the old Chrysler plant and through exports from Brazil (the first 5,000 Beetles have recently made the journey to Argentina), Fiat has changed direction.

It has linked up with PSA Peugeot-Citroen of France in Argentina and this arrangement could eventually be extended througbout South America. Between them Fiat and PSA account for roughly 35 per cent of the Argentinian vehicle market and they plan to rationalise the product lines offered there. The probable outcome will be for Fiat to make small cars and the heavy trucks while PSA will contribute the medium-sized cars and some of the lighter commercial vehicles.

Rationalisation will extend to the distribution systems of both companies but the marque will retain their individual identities at the retain end of the business. The merger has been made possible because the Argentinian Government last year began the process of dismantling some of the protective barriers which had hemmed in its motor industry.

The high protective tariffs on imported cars are gradually being reduced. This encouraged VW to import Beetles to Argentina and PSA to close down its Citroen manufacturing unit and import instead (leaving a Peugeot car plant, however). Mergers, formerly forbidden, are now allowed.

As with all the South American countries with motor industries, the prospect of "jam tomorrow" has attracted too many companies and profits are hard to come by.

General Motors actually pulled out of Argentina because its plant needed heavy investment if it was to be brought up to date and the U.S. group could see no potential for making an adequate return even on the old equipment. GM quit in 1978, before the Argentinian Government changed the rules but it would probably have pulled out anyway.

Ford was therefore delighted to announce that it would expand its Argentinian facility and would spend $250m over the five years from 1979. Nor was it alone in announcing improvement plans: Renault of France has a $100m project and Daimler-Benz will spend $50m. The Fiat-PSA combine will import $200m of equipment to update their facilities.

New attitudes

The changes in Argentina's attitude to the import of components, previously ruled out if any local producer was able to supply a similar item, is of prime interest to the commercial vehicle industry. VW, for example, foresees a big exchange of components and subassemblies between its recently acquired, ex-Chrysler plants in Argentina and Brazil.

Scania is already running its plants in the two countries in harmony. The plant at San Bernardo do Campo in Brazil supplies diesel engine sets for trucks made in both Argentina and Brazil while the new Tucuman facility in Argentina provides the gearboxes.

The Brazilian Government promotes motor industry exports through the BEFIEX programme, launched in 1973, under the terms of which some companies committed themselves to export targets. In return they were able to bring in equipment (mainly to improve their plants) on a dollar-for-dollar basis without paying the heavy duty it would otherwise have attracted.

For example, Volkswagen, which dominates the Brazilian car industry with a 45 per cent market share, has said it will export $1.5bn of products in the ten years from 1973.

It was not until 1978, however, that Brazil's motor industry began to make its presence strongly felt in international markets. Exports of cars (including kits) that year reached nearly 100,000. This pushed up foreign earnings for built-up vehicles from $434m to $657m and, when kits and other components were taken into account, the motor industry contributed $1.6bn to the balance-of-payments.

The Brazilian Government's "export or else" policy, coupled with the growing maturity of the local industry, is being put to good use by VW in its plans to become a world-wide manufacturer. VW do Brasil exports engines and gearboxes for the Passat to Germany and the U.S., and Golf engines to Germany.

Brazil is still a low-cost production centre—certainly when compared with Europe—and Daimler-Benz will feed truck kits to its U.S. factory, due on stream next year, from Brazil. And Scania's Brazilian plant supplies all the oil pumps for all the diesel engines made by the group.

It is components which are likely to provide the main impetus to Brazilian exports for the medium-term at least. In common with the other South American countries, the vehicles it produces are relatively unsophisticated and less technically-advanced than those offered in the U.S., Europe or Japan where such things as pollution control and safety legislation loom large in the designers' minds.

Brazil, for example, will not be making VW's most-successful car, the Golf, but has instead introduced a front-wheel-drive car of its own design to cope with recent competition from Fiat's 147. The new VW do Brazil car features a modified version of the old air-cooled engine which has powered the Beetle for so long.

And in this context it should be remembered that Brazil is the only place in the world where production of the Beetle continues. There is assembly in Mexico, but from Brazilian-built kits. In Mexico, VW is spending $130m on a new engine plant and altogether the motor manufacturers there intend to spend $1.1bn over the next four years.

General Motors has earmarked $400m among other things for a new plant at Saltillo to build 1,600, four-cylinder engines a day by 1982. Chrysler's Mexican subsidiary—which is financially liquid and successful—has allocated $200m for a facility at Monterrey with a capacity of 270,000 four-cylinder engines a year.

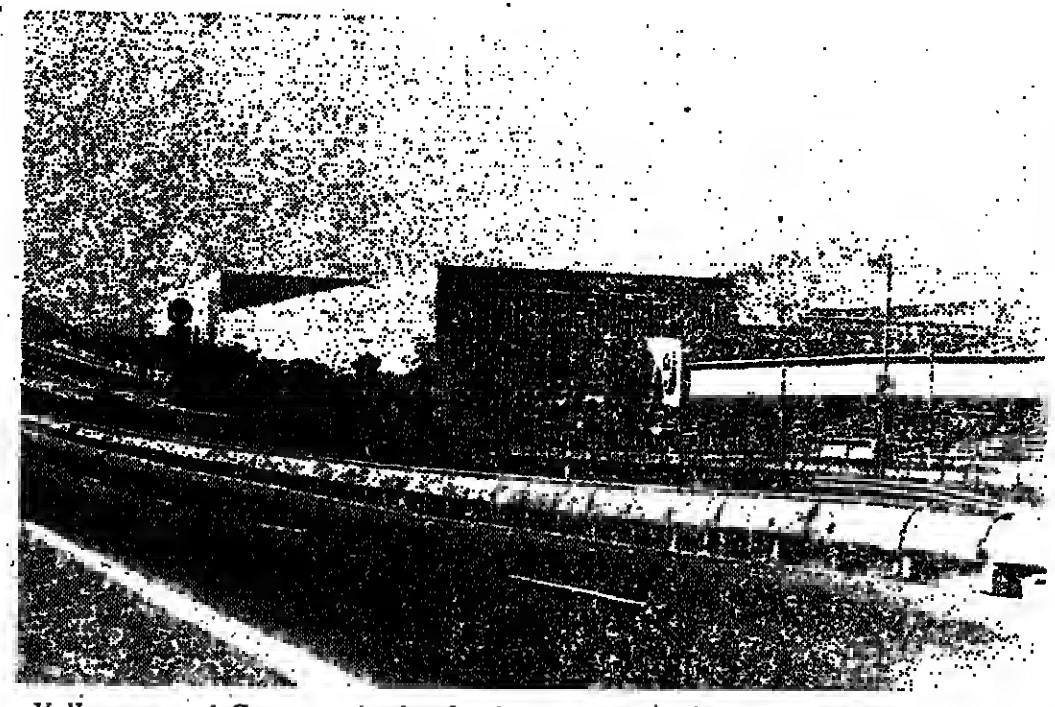
Smaller cars

Both projects reflect the emphasis on smaller, more fuel-efficient cars in Mexico, where the U.S. industry's designs have found wider acceptance than in other parts of Latin America, notably Argentina and Brazil.

The form of the potential motor industry in the five Andean Pact countries has been becoming gradually clearer this year. The objective is for the five to share the driving force provided by the motor industry, even though demand is heavily concentrated in Venezuela which is expected to account for 200,000 of a potential market for 350,000 vehicles in the Andean Pact countries by 1985.

Apart from local content objectives — 70 per cent by 1985 — the Andean Automotive Industry Development Programme originally envisaged that one or two companies would handle assembly in the five countries. On second thoughts the five countries did not like the idea of a duopoly. So each of them will have a couple of car assemblers and also two truck manufacturers.

So far the list looks like this: Ecuador has selected VW and GM; Colombia has chosen Renault; Peru, VW and Volvo, and Venezuela, GM and Pegaso of Spain.

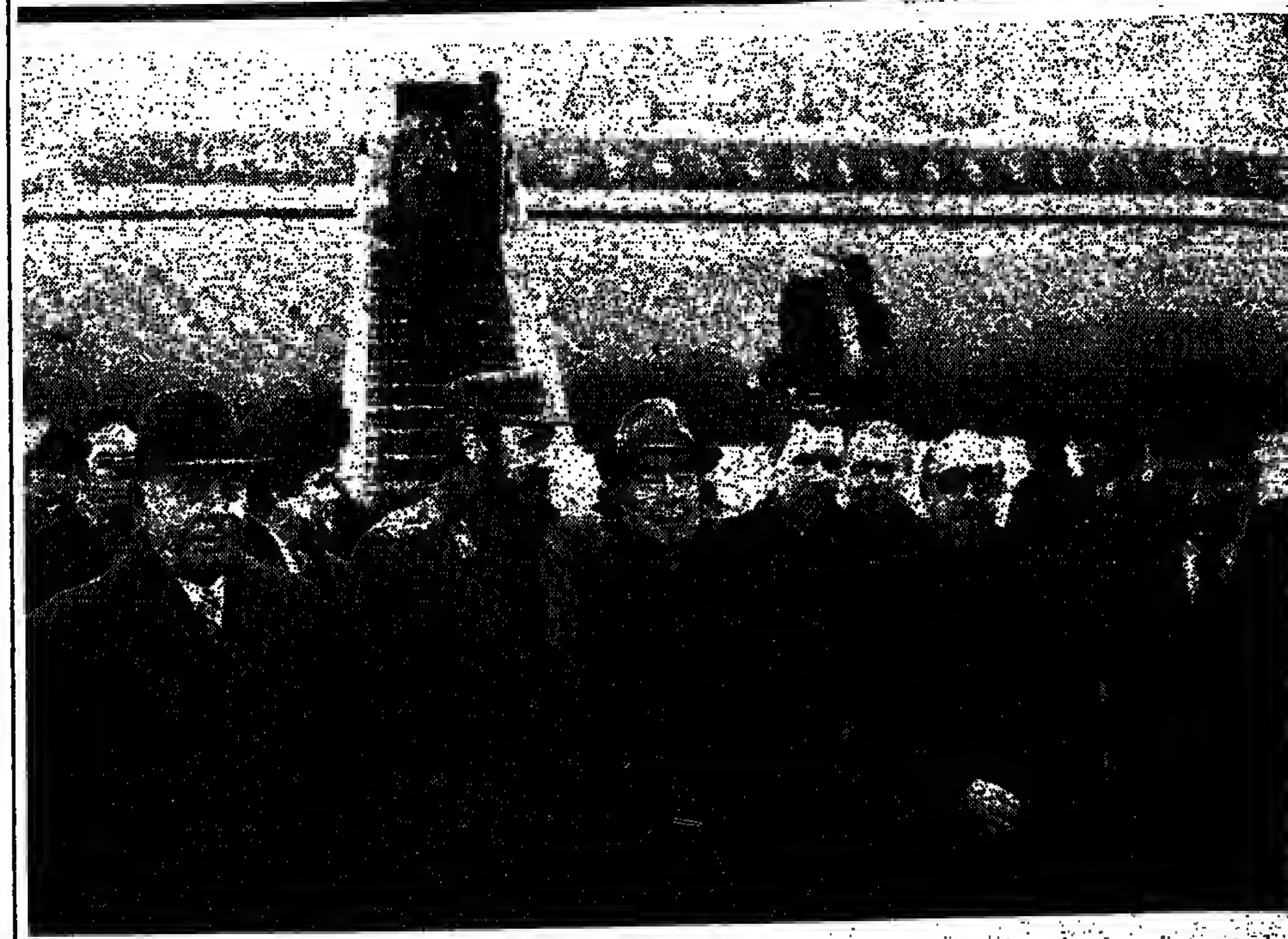


Volkswagen of Germany is the dominant car manufacturer in South America. Above: the Volkswagen factory on the outskirts of Sao Paulo, Brazil

MOTOR VEHICLE MARKETS

Peak market for individual countries from 1972-78

	Cars (000s)	CVs (000s)
Argentina	220	75
Brazil	822	170
Chile	53	16
Colombia	48	20
Mexico	260	135
Peru	30	17
Uruguay	4	2
Venezuela	201	110
Ecuador	7	29
Others	43	75
Total	1,688	649



Behind the smokescreen of rhetoric and propaganda, Soviet policy towards Latin America has, in general, been cautious. Above: Cuba's president, Fidel Castro, with Soviet leaders at Vnukovo Airport

Cuba: the bridgehead for Soviet influence

RELATIONS WITH THE USSR

ANTHONY ROBINSON

Our East Europe Correspondent

THE SOVIET UNION has several great advantages in its relations with Latin America. Distance is undoubtedly one of them. Latin America is far away from the huge Russian landmass whose military strength and totalitarian methods make it a force to be reckoned with in a vast arc stretching from Norway, around the borders of the Middle East and across Asia.

The U.S. is the super-power which broods over this part of the world and the Soviet Union benefits from its status as a super-power rival to U.S. power and influence. Soviet condemnation of economic exploitation by "the multinationals" aod of political interference hy "the CIA" also falls on receptive ears in many parts of a region afflicted by vast social and economic inequalities and repressive regimes.

Behind the smokescreen of rhetoric and propagaoda, however, Soviet policy towards the area has in general been cautious. Its main bridgehead in the region is undoubtedly Cuba. But in receot years Soviet economic assistance to the Castro regime has been costing the Soviet Union over $3bn annually and it is not anxious to add to the list of client states in an area so far from the Soviet Union and its East European allies.

This is not to say that the Soviet investment in Cuha has not been a profitahle one for the Soviet Union in the wider political context. The presence of a Soviet-backed, comounist regime 90 miles from Florida has been a permanent irritaot to the U.S.

It has also exercised a powerful pole of attraction for left-wing leaders in Jamaica and elsewhere io the Caribbean and Central America. The New Jewel movement in Grenada and the Sandinistas in Nicaragua have both received inspiration from the Cuban example and are currently receiving both Cuban and Soviet economic and technical assistance.

Further abroad Cuban military forces have acted as effective surrogates for Soviet power in Angola, Mozambique and the Horn of Africa.

Active role

What is more, over the last decade, Cuba steadily increased its influence in the Third World generally through its active role within the non-aligned movement. This influence reached its highest point last September when Fidel Castro played host to the non-aligned summit meeting in Havana. There he sought to shift the axis of the movement in a pro-Soviet direction by forcefully propagating the view that the Soviet Union was "the natural ally" of the developing world.

Since then, however, Cuba's internal economic and political situation has deteriorated sharply. Crop-failures and the admittance of grave errors of economic policy coupled with growing dissatisfaction over low living standards culminated in the mass exodus of more than 100,000 Cnbans from the island. Like the exodus of Vietnamese "boat people," this public spectacle of Cubans "voting with their feet" has dealt a major blow at the prestige of the Soviet-backed regime.

At the same time the Soviet invasion of Afghanistan provoked an unprecedented degree of Third World and Moslem hostility to the Soviet Union. It also made a mockery of the Cuban claim that the Soviet Union was the "natural ally" of the Third World. In a region long accustomed to "Yankee imperialism" this latest example of Soviet imperialism gave cause for reflection.

Although Cuba is the most important physical and political bridgehead for Soviet influence in Latin America, it is certainly not the only one. In general terms the Soviet Union tends to see Latin America much as the Americans, especially men like National Security adviser Zbigniew Brzezinski, see Eastern Europe.

The Russians recognise that the Americans are the hegmonistic power in the region. But they also realise that any weakening of U.S. political and economic influence in the region is an important factor in the global competition in which the two super-powers are engaged. They are helped by the fact that anti-Americanism is as widespread and automatic in Latin America as anti-Soviet feeling is to many of the peoples of Eastern Europe.

Aid projects

In practical terms, however, there is not a lot which the already ecooomic hard-pressed Soviet Union can do to increase its economic presence in the area. According to CIA statistics, Latin America, apart from Cuba, received less than $1bn in Soviet aid in the 1954/1978 period out of total Soviet aid of around $17bn.

At present, the largest aid effort appears to be concentrated on Peru where the Soviet Union recently signed a $300m contract for the supply of plant, equipmeot and techoical aid for the $1.2bn Olmos hydro-electric scheme. The Soviet authorities recently assured the Peruvian government of their continuing support for the scheme, even though right-wing forces enjoyed a big victory in the recent general elections.

Meanwhile, Soviet trade with the region is limited. This is partly hecause the Soviet Union is itself a major producer of many of the raw materials produced in and exported from the region. But, when it comes to economic matters, the Russians have demonstrated on several occasions that faced with a conflict hetween ideological consistency and Soviet national interest the latter wins every time.

This was demonstrated towards the eod of the Allende Government in Chile, when the Soviet Union was long on verbal and propaganda support but short on practical, economic and financial assistance. It has also systematically declined to criticise the repressive policies of Argentina's military regime.

Cynics assume that this is connected with the fact that Argentina has become a major exporter of both grain and meat to the Soviet Union. Argentina's current willingness to help make good the grain shortfall caused by the U.S. grain embargo has increased the importance of good Soviet-Argeotine relations. In 1978, Argentina exported goods worth $446m to the Soviet Union and imported only $14m worth. In 1980 exports are expected to approach $3bn and the Soviet Union is trying to step up its own exports of plant, machinery and arms if required.

The Soviet Union is also interested in closer ties with Brazil and Mexico, the other major powers in the region. Brazil needs to diversify its exports and the Soviet Union is a good potential customer. In 1978 Brazilian exports rose sharply to $1.7bn, while imports were a mere $160m. Mexico's new found oil-wealth is of particular interest to the Soviet Union's East European allies who are desperately looking around for non-Soviet sources of oil in return for industrial plant and technical assistance.

Mexico has long had observer status in the Communist bloc economic grouping, Comecon. Up to now, however, trade with Comecon has not developed as fast as expected. This could change over the next few years. Latin America's desire to diversify its trade and commercial links so as to reduce its dependence on the United States has already led to greater links between the region and western Europe. This process could well be extended to the Soviet Union and Eastern Europe over the next decade, provided that commercial rather than ideological considerations dictate the ground rules.

LATIN AMERICA XI

ACCUMULATED DIRECT INVESTMENT FROM DAC/OECD COUNRIES

By countries of the region

Country of destination	$m 1967 DAC	$m 1967 of which: U.S.	$m 1967 others	$m 1975 DAC	$m 1975 of which: U.S.	$m 1975 others	Annual growth rate (1968-75) DAC	Annual growth rate of which: U.S.	Annual growth rate others	Percentage structure 1967 DAC	Percentage structure 1967 of which: U.S.	Percentage structure 1967 others	Percentage structure 1975 DAC	Percentage structure 1975 of which: U.S.	Percentage structure 1975 others
Argentina	1,821	1,017	804	2,000	1,154	846	1.2	1.6	0.6	10	9	12	5	5	5
Brazil	3,728	1,328	2,400	9,100	4,579	4,521	11.8	18.7	8.2	20	11	36	24	21	29
Mexico	1,787	1,364	423	4,800	3,200	1,600	13.1	11.2	18.1	10	12	6	13	14	10
Colombia	728	627	101	1,200	648	552	6.4	0.4	23.6	4	5	2	3	3	4
Chile	963	879	84	400	174	226	−10.4	−18.3	13.2	5	7	1	1	1	1
Peru	782	660	122	1,700	1,221	479	10.2	8.0	18.6	4	6	2	4	6	3
Venezuela	3,495	2,555	940	4,000	1,873	2,127	1.7	−3.8	10.7	19	22	14	11	8	14
Panama	830	754	76	2,250	1,907	343	13.3	12.3	20.7	4	6	1	6	9	2
CACM countries*	601	501	100	960	704	256	6.0	4.3	12.5	3	4	1	3	3	2
Other Latin American countries†	515	379	136	1,340	934	406	12.7	11.9	14.6	3	3	2	4	4	3
Total 19 countries of Latin America	5,250	10,064	5,186	27,750	16,394	11,356	7.8	6.3	10.3	83	85	78	74	74	73
Other developing countries of the American area	3,199	1,713	1,486	9,875	5,707	4,168	15.1	16.2	13.8	17	15	22	26	26	27
Total developing America	18,449	11,777	6,672	37,625	22,101	15,524	9.3	8.2	11.1	100	100	100	100	100	100

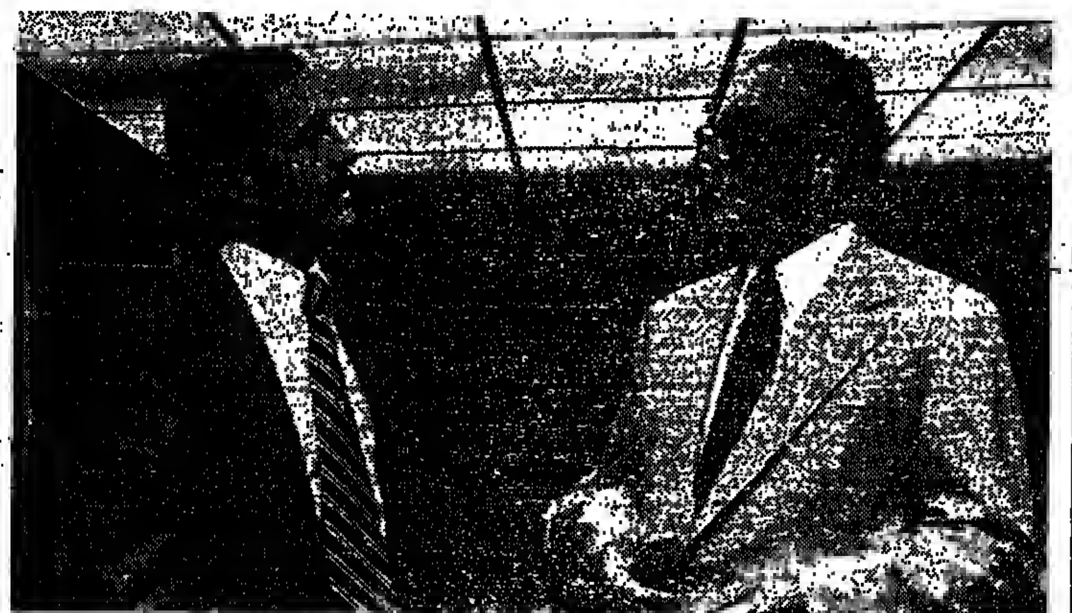
Sources: OECD-DAC, Stock of private direct investments by DAC cnuotries in developing countries (end 1967), Paris, 1972; OECD, Development Cooperation, 1977 Review; United States, Department of Commerce, Survey of Current Business, August, 1972.
* Includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. † Includes Bolivia, Ecuador, Paraguay, Uruguay, Haiti and the Dominican Republic.

Steady increase in EEC trading interests

EUROPEAN AND U.S. LINKS

HUGH O'SHAUGHNESSY

Our Latin America Correspondent



Sr. José Andres de Oteyza, Mexico's Minister of National Patrimony and Industrial Development (left), with European Economic Community Commissioner, Wilhelm Haferkamp in discussion after a meeting to increase trade between Mexico and the EEC

FOR MORE than a century, since the rise of the U.S. to power in the world, Latin America has looked with a mixture of wonder and apprehension at its principal northern neighbour. Since the Second World War, when the U.S. *finally displaced Britain* as the major influence in the region and became one of the two super-powers, the sentiments of wonder and apprehension bave been re-doubled.

Many Latin Americans have been unhappy that the U.S. should not only he one of the region's very biggest trade partners, hnt also a powerful military power in the area, well-entrenched around the Panama Canal, and politically active supporting and dismissing Latin American governments seemingly at will.

Thus, when the countries of Western Europe began to construct a new economic *grouping* which looked as if it would he able to counterbalance what many Latin Amaricans felt was the excessive influence of the U.S. in their affairs the development was welcomed.

The dilution of U.S. influence in the region is however, going on at a slower pace than the pro-Europeans in Latin America would wish The U.S. position while not as all pervasive as it was immediatey after tbe Second World War is still very strong.

Statistics

The trade of the U.S. with the region is still considerably greater than that of the EEC aod, althoogh European—and especially West German—investmeot is growing the US. stock of investments in Latin America is still larger than anyone else's.

The latest OECD statistics show, for instance that EEC exports to Latin America last year were running at a monthly average of $1,198m and imports from the region at $1,332m. The corresponding figures for U.S. exports and imports were $2,188m and $2,068m.

A summary analysis shows that the pattern of trade involves Latin America using the monay it traditionally earnt through selling its raw materials in Europe to buy manufactured goods in the U.S.

The overall position of dominance by U.S. traders in the area does not mean that the EEC has not been making inroads in Latin America and in some important cases, Brazil, for example, the EEC is the dominant trading partner.

The trading situation *is* closely paralleled by the investment picture, where European investment for a decade has been growing faster than U.S. investment.

Europe'a decision, however, to concentrata on its own internal problems and, in international affairs, on its relationships with the U.S., and to a lesser extent, Comecon among the more developed countries and, in the developing world, the former colonial territories of tbe member states haa led to Latin America receiving less attention than if felt it merited.

In 1977, the UN Economic Commission for Latin America (CEPAL) remarked in its report that: "The fect that Latin America—with the exception of countries of the Caribbean sub-region which are members of the British Commonwealth—is not one of the EEC's top priorities, and hence that the Community has not explicit political commitment io this respect, has led to a weakening of the dialogue between the two regions, initiated in 1971, and the search for a collective instrument of co-operation with the EEC has been checked."

Since those words were written there has been something of a revival of interest in Latin America by the EEC. Up to date, trade and co-operation agreements were signed last year with Mexico and Brazil in the course of visits by the European commissioner for external affairs, Herr Wilhelm Haferkamp. But Latin America still has to work out the global agreement between the two regions which it says it wanta.

In the sphere of trade, the Latin Americans continue to complain about the fact thet the Common Agricultural Policy restricts their access to the market for temperate farm products and Brussels' bilateral deals with Mediterranean and producers of tropical goods in ACP countries also limits the access of farm products that the Community does not grow for itself.

European spokesmen reply that, despite restrictions, the EEC constitutes one of the most buoyant of Latin America's markets. They cite the case of the increased trade in hananas.

Between 1970 and 1978, the EEC purchases of hananas grew by 125 per cent. Latin American produce grew by 135 per cent compared to 88 per cent for the products of the countries who were signatories of the *Lome* conventinn.

The Europeans have for some years been emphasising the interest they have in increasing their purchases of the region's minerals. French companies have heen particularly assiduous in bidding for supplies of uranium, from Guyana to Ecuador. European companies have too taken their place in the rush to develop the oil and gas potential of the region which had been neglected until the fuel crisis spurred new exploration efforts onshore and offshore.

But while Latin America's *economic* relationship with the U.S. and the EEC has been slow to change an upsurge in European interest in the political events in the region [illegible] yet heve a profouod effect on the pattern of government in the region.

This recent upsurge in political interest could conveniently be *said to have started* in 1973 with the overthrow of President Salvador Allende in Chile. The coup of that year had a particular effect on the powerful European trade union movement, not least in Italy where political parallels with the situation in Chile were quickly drawn.

After Chile, events in Uruguay and Argentina also had an effect on European public opinion and activists even in conservative Europeao parties began pressing for a greater European political iovolvement in countries where human rights violations were most flagrant.

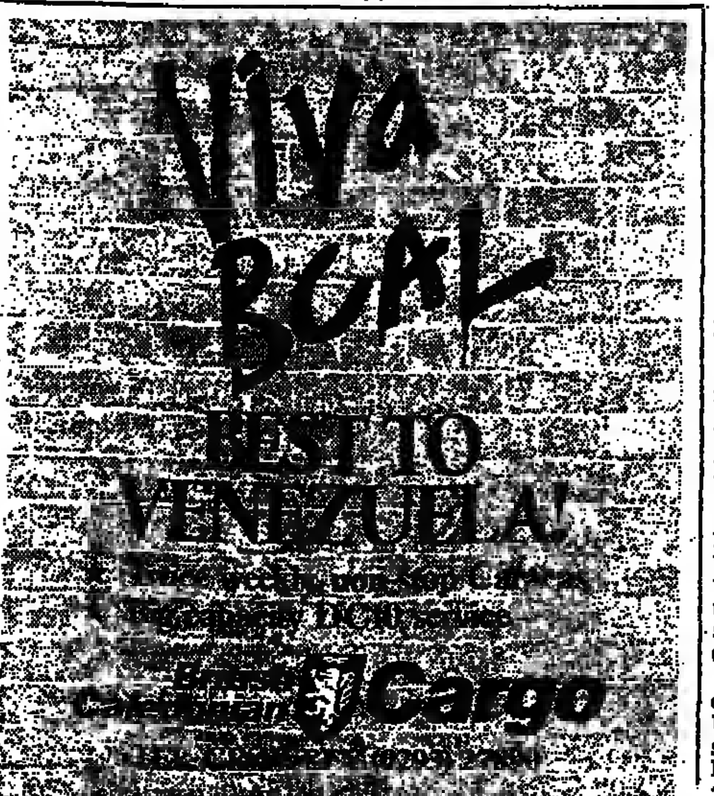
Political interest

Events in Central America bave continued to keep Europeau political interest alive. The overthrow of the *Samoza* regime in Nicaragua and the emergence of a pluralistic left-wing administration in its *stead seems* to have given the chancellories of Europe much less cause for alarm than it has given the State Department.

Nor is the fall of the Salvadorean junta and its replacement with a more left-wing government viewed in Europe *with* the *concern* that *surrounds* the thought in Wasihngton. Earlier this month, a delegation from the anti-junta forces which toured Europe reported that it had received pledges of support from the Christian Democratic trade unionists in Germany.

A good indication of the growing *strength* of European political involvement in Latin America was to be found in the resolutions agreed by a number of Latin American and European socialist and social democratic parties which met under the charmainship of former German Chancellor Willy Brandt in *Santo Domingo*, recently.

Their attitude was one of support for the Nicaraguan Sandinistas, the Manley Government in Jamaica and many other political movements which are generally viewed with deep suspicion in the U.S. The State *Department* lost no time in trying to counter these initiatives. It is doubtful, however, if any U.S. government will be able [illegible] European minds.



Situation demands more monetary co-operation

BANKING

WILLIAM CHISLETT
Our Mexico City Correspondent

THE WORSENING economic situation in Latin America is enforcing the need for greater monetary co-operation. Many of the weaker countries are hard-pressed to weather alone the gathering storm clouds in the form of rising oil prices—which are substantially pushing up their current account deficits—and the recession in the industrialised nations, which is limiting export markets. United, there is a better chance for the weaker countries.

A report on the feasibility of global payments arrangements among developing countries, prepared for UNCTAD, by the Centre for Latin American Monetary Studies (CEMLA), comments: "The recent extension of monetary co-operation among developing countries is, basically, the result of a sound understanding by the countries concerned that their own national interests are best protected by entering into special arrangements with others with the same interests, rather than facing themselves the increasingly complex world of international finance."

A catalyst

The report was prepared by Sr. Jorge Gonzalez del Valle, the head of CEMLA, which has acted as the catalyst for increased economic co-operation on the continent. From CEMLA, founded 28 years ago, have sprung the regional and sub-regional organisations which today exist for a variety of forms of co-operation.

Apart from CEMLA, which brings together the heads of the central banks of 26 countries, as well as Spain, there are the following informal organisations: the Latin American Free Trade Associations' Monetary Council (LAFTA), and the Central American Monetary Council (excluding Panama).

More specifically, there are three mechanisms for clearing house arrangements—LAFTA's, which also includes the central bank of the Dominican Republic: the Central American Clearing House and the Caribbean Community Multilateral Clearing Facility—and also three multilateral credit arrangements to help balance of payments problems. LAFTA has one, so does the Central American Stabilisation Fund and, most recently, the Andean Pact countries have established a reserve fund.

There is also an "occasional mechanism" which aids countries with balance of payments problems but unlike the other three arrangements it acts on a regional basis and participation in it is voluntary. CEMLA effectively handles this mechanism.

And last year the Latin American Export Bank (BLADEX) was established in Panama. The bank, which has reduced countries' dependence upon seeking credit from foreign banks to finance exports, has a capital of $99m. Of this, $33m is from central banks, $33m from private and State commercial banks and $33m from foreign commercial banks.

Given this wide spectrum of organisations, Latin America would appear to be well integrated and able to come to the rescue of each other in times of crises.

For example, after last July's defeat of General Somoza, the Nicaraguan dictator, by the Sandinista guerrillas, the "occasional mechanism" quickly came up with funds to help the war-shattered economy.

A telex went out from CEMLA to all the central banks and, within 48 hours, 22 banks, including the Banco de España, had put together a $40m loan for Nicaragua. Banks withdrew from their reserves in accordance with the quota they have with the IMF — so the stronger countries, like Mexico, loaned more.

After Hurricane David ripped through the Dominican Republic last September, causing an estimated $1bn worth of damage, the same organisation made a $70m loan to the country.

The loans are made at the normal commercial rates so there is no element of cheap money. But the speed with which the loans can be put together is an important factor. Unlike many other institutions, there are no bureaucratic or political delays; a vital ingredient when a country's economy is on the rocks.

This particular mechanism has granted about $200m in loans in the past seven years, most of it to countries hit by natural or man-made disasters.

The spirit of economic help — remarkable, at times, considering the political differences which now exist in the troubled continent — has engendered a sense that everyone's interests are best served by pursuing the cooperation as fully as possible.

CEMLA likes to quote the example of the Guatemalan businessman who walked into several private banks in Costa Rica with a suitcase containing half a million quetzales ($500,000), and how he was unable to change it into dollars. The Costa Rican banks reported the matter to the country's central bank which, in turn, informed its counterpart in Guatemala. Many others, however, slip through the net.

Although the Central American Common Market is not working very well — Honduras and El Salvador broke off diplomatic and trade relations after their 1969 "football" war — nevertheless, this has not affected the workings of the clearing house system.

Exchange rates

The respective currencies in Central America have, apart from a 42 per cent devaluation in Nicaragua, in 1979, under Gen. Somoza, generally held their exchange rate with the dollar for over two decades. This has enabled national currencies, and not the dollar, to be used in the clearing house arrangements. Whereas in the Latin American Free Trade Association, the dollar is used in the clearing house system because of the widely fluctuating exchange rates.

The best co-operation exists among the Andean Pact countries—Bolivia, Colombia, Ecuador, Peru and Venezuela—whose representatives visited Madrid in April to express their joint concern that Spain's entry into the EEC might have a negative effect on their flow of trade with the mother country.

In 1978, the countries formed the Andean reserve fund to help out with balance of payments difficulties. The problem is considered from the "global" point of view and not from one pact member's position in its trade with another member.

At the same time, that there is increasing co-operation among central banks, central banks themselves are playing a more active role in *monitoring* the health of their respective economies.

In April, Argentina's central bank took over control of three of the country's largest private banks—the Banco de Los Andes, the Banco Oddone and the Banco Internacional which together accounted for 12 per cent of total deposits.

Putting the banks under the control of Government trustees came shortly after the central bank liquidated the Banco de Intercambio Regional, the second largest private bank, which, in turn, followed the collapse of Promosur, Argentina's second largest finance company. The collapse of Promosur caused a run on the country's banks. The Argentinian central bank has laid out about $1.7bn in the past year in shoring up 100 financial institutions.

In sharp contrast, the private banking system in rapidly growing oil-rich Mexico, the most dynamic economy on the continent at the moment, is flexing its muscles by strengthening both its domestic and foreign presence.

Private Mexican banks had an exceptionally good year in 1979 and the 45 *per cent* devaluation of the peso in August, 1976, is now no more than a horrid memory. The four largest banks—Bancomer, Banamex, Banca Serfin, and Multibanco Comermex—which increased their profits by *more* than 50 per cent last year, now have offices in Los Angeles and/or New York. Banamex, Multibanco Comermex and Bancomer opened in London in 1979.

In the last three years, private Mexican banks have *become* much more streamlined and aggressive in order to cope with the demands of the country's economic boom. Until 1977, Mexican banks offered only one type of service but now, with a reform in the banking law, most banks offer different services as they have merged to form "multiple" banks.

The banks have also become much more competitive as a result of a change in the way *the Banco de Mexico, the central* bank, fixes the deposit interest rates.

The Government's inability to keep inflation below the 20 per cent mark (it will probably be 25 *per cent this year*) has led *to a resurgence of* "dollarisation" (deposits in dollars instead of pesos) and kept interest rates "negative". In February, the central bank, in order to stem the "dollarisation" and encourage peso savings, revised the peso deposit rates upwards.

BALANCE ON CURRENT ACCOUNT AND NET CAPITAL INFLOW
($m)

	Balance on current account				Net capital inflow			
	1970	1975	1977	1978*	1970	1975	1977	1978*
Latin America	−3 103	−14 046	−10,361	−14 622	4 660	15 011	14 694	21 883
Oil-exporting countries	−272	2 047	−2 362	−5 034	358	1 041	2 795	3 368
Non-oil-exporting countries	−2 831	−16 093	−7 999	−9 588	4 302	13 970	11 899	18 015

Source: CELADE, Boletin Demográfico

* Preliminary figures

Tensions are increasing

THE CHURCH

HUGH O'SHAUGHNESSY
Our Latin America Correspondent

ONE OF THE first things Christopher Columbus ordered done when he made his landfall in the western hemisphere in 1492 was the saying of mass.

The chaplains he brought with him on his voyage from Palos de Moguer were there to bear witness to the fact that King Ferdinand and Queen Isabella had, in backing his venture the double aim of conquering lands for Christ and for Spain.

As politicians, the soveigns were as interested in the power and prestige that the spread of Roman Catholicism to new lands would bring them in Europe as they were in the economic profits to be reaped from lands they quickly realised were not the Indies or Cathay, but new territory to be called America.

This dual aim rapidly provoked a crisis among the Spanish subjects who flocked to the new lands. Spanish entrepreneurs saw America as a land to be plundered and its inhabitants as being to be put to work on *lands the Europeans* had made their own.

It was not without difficulty that the clergy were able to get these "Indians" classified as humans with inalienable rights.

Five centuries later, the tensions between the economic and the religious powers in the region are still strong. Indeed, for more than a decade they have been getting stronger.

The church which claims the nominal allegiance of the vast majority of the population has been rediscovering a role as a protector of the less privileged and laying less emphasis on the function it was happy to carry out for long periods, that of a pillar of the established order.

The increasing tensions between Church and the established order are coming at a time of rapid and radical change in the Church itself.

From the 1940s and the time of Pope Pius XII the Church leaders have been conscious of the erosion of the relationship between the formal Church and the mass of the people.

The conservative political attiudes assumed by the hierarchies of the Church in the different countries at a time when the need for social change was obvious, the lack of a native clergy to take over the job of evangelisation from foreign priests and bishops, the growing activities of rich and energetic non-Catholic missionaries from the U.S. and elsewhere were all seen as factors draining the strength of Catholicism.

It took the Church several more decades, until the advent of Pope John XXIII and the convocation of the Second Vatican Council, to tackle the renovation on a worldwide basis.

The Latin American Church held its own regional gathering at Medellin in 1968 and the documents from that meeting set the course for a renewal in every sphere of the Church's activity.

Liberation

Theologically, more rein was given to the so called "theology of liberation," which committed the Church to a more activist stance against social injustice.

Organisationally, the myth that the territory could neatly be divided into parishes was abandoned and the idea of basic Christian communities — first evolved in Brazil under the name of "comunidades de base"—gained currency.

Acceptance grew of the concept of "conscientisation," a process under which the underprivileged of the region were encouraged to seek their rights and not remain passive in the midst of their misfortunes.

The powerful effects of Medellin transformed the Latin American Church from being one of the most backward and ill-regarded parts of the Catholic world to being in the very vanguard.

The Vatican *suddenly* saw that the Latin Americans had been transformed from brethren who needed encouragement and support to a force in the church which often needed its attitudes moderating.

When the Latins gathered last year, 11 years later, at Puebla de los Angeles, an ancient city to the east of the Mexican capital, the newly-installed Pope John Paul II delivered a message of moderation.

He wanted a theologically orthodox church in Latin America, he said, but one which, while not actively involved in day-to-day politics, was promoting the social changes needed.

Each active member of the church in Latin America has interpreted that message in his or her own way. An illuminating instance of this was reported in a recent edition of the British Catholic weekly The Tablet.

The present bloody situation in El Salvador and the recent murder by the Salvadorean Right of Mgr. Oscar Romero, Archbishop of San Salvador, prompted 17 *priests in Panama* to write to Bishop José Eduardo Alvarez of San Miguel in El Salvador.

They said they were concerned by his action in retaining a colonelcy in the Salvadorean army at a time when the army was being particularly repressive, his lack of support for Archbishop Romero, and his absence from the Archbishop's funeral.

They went on to suggest that he should either make amends or resign, having considered his position in the light of the Medellin and Puebla documents.

Mgr. Alvarez, having thanked the 17 for their letter, contented himself with the remark: "It is sufficient for me at this moment to re-read the opening address of our Holy Father Pope John Paul II during the third general assembly of Latin American Bishops which took place in Puebla."

The exchange showed a number of facets of the Latin American church today, including the continuing attachment of conservative bishops to regimes which have been widely condemned as extreme *and* reactionary, even to the extent of boycotting the burial of a murdered colleague.

It also showed the growth of what formerly would have been called "insubordination" by *junior clergy and the fact* that both sides felt they were on solid ground by quoting the words of Pope John Paul in Puebla.

A happier and more united picture of the church is also *chronicled* in the *same* magazine which reports on the Chilean bishops' united protest against "the systematic campaigns in certain organs of the Press, radio and television against the church, its *institutions and its pastors.*"

The Chilean bishops tacitly and delicately left it to be understood that the Pinochet Government, which has been highly embarrassed by the church's action in recent years *and which exercises an* iron control over the media, must be held ultimately responsible for the campaigns.

While not blaming the Pinochet Government directly, they expressed surprise that with such restriction on free expression in Chile it had been so easy to vilify the church.

Soon, the results of the first visit by any reigning Pope to the world's largest Catholic country, Brazil, should be showing themselves.

Coming so shortly after Pope John Paul's visit to the Dominican Republic and Mexico last year, it illustrates the central position the region is playing in the development of the Catholic church.

هكذامن الأهل

هكذا من الأصل

Indian women and children in the Andes. There are signs that many groups among Latin America's 30m Indians are fighting a winning battle for their rights

Indigenous groups press for their rights

INDIANS

CARITA KENDALL

Quito Correspondent

NEARLY five centuries [illegible] domination, there are [illegible] 30m Indians in Latin [illegible]. Slavery, genocide, [illegible] fervour and relentless [illegible] have decimated [illegible] numbers and suffocated [illegible] cultures, but all over the [illegible] indigenous groups are [illegible] pressing for their rights [illegible] forcing governments to take notice of them.

Although most people associate Latin American Indians with fierce spear-waving Amazon tribes, the vast majority live in the Andes mountains and the uplands of Mexico and Guatemala.

They are the survivors of rich civilisations that covered large areas — the Inca empire stretched from southern Colombia to northern Argentina — and had complex social and economic organisations. In fact, say many historians, life was easier and the Indians ate better under the Aztecs and the Incas.

[illegible]echua is still spoken by more than 10m people in the Andes, and in some areas of [illegible] America co-operative labour and landholdings have outlived the hacienda (ranch) system imposed by the Spaniards. Building houses, cutting paths or digging irrigation canals are often jobs for the whole community, with the women swinging a pick as energetically as the men, and liberal helpings of chicha (maize beer) lightening the task.

Social pyramid

Although countries such as Mexico value their pre-Colombian heritage, everywhere the Indian is at the bottom of the social pyramid. So perjorative is the word "indio" that in Peru and Bolivia it has been officially abolished, and Indians [illegible] called peasants.

[illegible] highest rates of illiteracy [illegible] malnutrition are found [illegible] the Indian population, [illegible] has been used as a [illegible] since the first [illegible] Portuguese settlers [illegible] has received few [illegible] white masters.

If the early drive to convert Indians to the Catholic faith has given way more recently to the urgency for "integration," there is little difference as far as the Indian is concerned. His race, culture and language have been denigrated by both missionaries and Government officials alike, not to speak of traders and colonists.

For many the way out is to put on Western clothing and move up to the ranks of the "mestizos" or "ladinos"—the theoretically a racial distinction, but in practice a matter of shoes, language and attitudes.

In contrast with the relatively dense highland population, lowland Indian groups are smaller and more widely scattered through the jungles and across the plains of Latin America.

They have been pushed farther and farther back into the most inaccessible areas of the continent, though nearly all are now in permanent contact with the outside world. The fragility of their isolated semi-nomadic existence has made them most vulnerable to land hungry settlers and imported diseases; where highland cultures are modified by foreign influence, lowland tribes are frequently wiped out.

The number of Brazilian Indians is thought to have dropped from about 1m at the turn of this century to 180,000 in 1979, but estimates of Indian populations—especially Amazon groups—are notoriously unreliable. Recent casualties include the Xetá, who were pushed off their lands in north west Parana by coffee growing colonists. Less than 10 Xeta now remain, living at government Indian posts. The Kreen Akarore have been reduced to 30 as a result of the passage of one of Brazil's great Amazon roads, the Cuiabá-Santarém highway, through their territory. All told, nearly 100 Brazilian tribes have disappeared over the last 80 years.

Although Brazil has few Indians compared with many other countries its integration policies have attracted a great deal of criticism. The confrontation between the relatively helpless indigenous groups and the driving machinery of progress has been dramatic: likewise the scandals surrounding the Indian Protection Service.

Members of the service were held responsible for murder, torture and the theft of Indian lands.

It was replaced by the National Indian Foundation, FUNAI, and the foundation's president made it clear from the start that the Indian would not be allowed to stand in the way of development.

Sure enough, Indian reserves have been dismembered almost as fast as they have been created, to make way for cattle ranches, mineral exploration and timber projects.

Indian groups are beginning to make their own demands now. The tribes living in the Xingu Park have united on some issues, and there have been regional and national meetings of Indian leaders resulting in agreements on the defence of their lands.

The small size of the Brazilian groups, the huge distances and the diversity of languages spoken make joint action difficult, but their efforts to call attention to their problems and find their own solutions are part of a pattern emerging throughout the region.

The trend was reinforced by a well-publicised declaration made in Barbados in 1971 by a select group of anthropologists, which said that Governments religious missions and social scientists must stop their aggression and contribute to the process of Indian liberation "guaranteeing to all the Indian populations by virtue of their ethnic distinction, the right to be and remain themselves, living according to their own customs and moral order, free to develop their own culture."

Since 1971 there have been several international meetings of Indian groups, some of them serious work sessions producing results, others more folkloric occasions. At the second Barbados meeting in 1978 Indian leaders from 11 American countries met anthropologists to discuss Indian organisation and strategies for liberation. From this it became clear that the fundamental issue for all groups, highland and lowland, is land.

Little effect

Agrarian reform programmes have done little to distribute land, and the highland Indian scratches a living from a hillside plot exhausted by generations of intensive farming.

The problems of Indian and mestizo peasant are so similar in highland regions that many organisations unite the two, and poncho-clad Indians waving placards are a common sight in street demonstrations.

But in the lowlands, the invading colonist is usually the immediate — better armed — enemy. He is awarded legal title to land the Indians have always thought of as their own, and razes the forest they value for its resources.

Government Indian agencies have proved to be weak, poorly funded, paternalist organisations, and have done little towards resolving the land question. In a number of countries Indian reserves have been marked out in lowland areas, but, apart from the fact that their boundaries are extraordinarily elastic, they rarely allow for future population growth. Amazone groups in Peru and Ecuador are succeeding in obtaining titles to community lands, and their example — particularly the leadership of the Ecuadorean Shuar Federations—is heartening others.

"Perhaps nothing has done us as much harm as paternalism, waiting ingenuously for solutions to come from outside and from above," say the Indians of Bolivia in the declaration of Tiabuanaco.

Legal tangles

Many groups have found themselves tied into bureaucratic tangles by lawyers and Indian affairs departments, as, struggling to cope with the environment of a big city and a foreign language, they are constantly told to "come back tomorrow" with another document.

More sophisticated organisations now have delegates permanently based in capitals, not only to put pressure on Government departments, but also to drum up financial support for special projects and ensure that the media receive their version of any confrontation with colonists or the authorities.

Land is the key to physical survival, and education is a prerequisite for cultural survival, according to most groups. Several Governments, including Mexico, Ecuador and Peru, actively encourage bi-lingual literacy programmes and the training of Indian teachers.

Anthropologists and artists have also contributed to a growing awareness of the richness of the Indian cultures, without turning groups into freakish tourist attractions. The Indians themselves are increasingly wary of outsiders who want to run their lives, whether to obtain votes or for more romantic reasons.

"We know we have rights, and they are what we are demanding," says a statement signed by several of Venezuela's Amazon groups. It reflects a growing determination to fight for treatment on equal terms. If others can get Government loans for growing cocoa, so should Indians. If others have doctors and health programmes, Indians should have them too, and if the Government pays oil or mineral royalties to other groups, why not to Indians?

Organisation is the answer, and a unified regional Indian federation is the long-term objective, states the second Barbados declaration. Obviously this is easier to achieve in some countries than others. The Cauca Indian Council, the biggest and most combative Indian organisation in Colombia, has been torn apart by avenging landowners and military repression.

However, the outlook for Latin America's Indians is certainly not as black as it was even 10 years ago, and there are signs that many groups are fighting a winning battle, rather than becoming the victims of progress.

Tourists visit Yagua Indians at an Amazon lodge outside Iquitos, Peru

In the last 60 years there have been nearly 100 military coups in Latin America. Above: P... cadets on parade in Venezuela.

Armed forces dominate many political arenas

MILITARY AUTHORITIES

SARITA KENDALL
Our Quito Correspondent

Security check — soldiers and police regularly hold spot checks and body searches on citizens in Buenos Aires as a measure against terrorism

MILITARY and political tradition bave been closely linked ever since the birth of most Latin American nations. The great liberator geoerals who fought the Spanisb armies io the early nineteenth century had an intensely political vision of the future — Simon Bolivar's dream of integrating Venezuela, Colombia and Ecuador into a democratic "Gran Colombia" being the most ambitious.

These military men are Latin America's heroes, and the anniversaries of their battles are commemmorated with pomp and speeches reminiscent of a glorious past.

In the twentieth century military involvement in politics has been equally strong. Durlog the last 60 years there have been nearly 100 coups—and many other occasions when a quiat shuffle in power occurred as a result of military pressure.

Until the Brazilian coup of 1964, military takeovers were usually seen as a temporary evil, and though a few politicians bad to ruo for the border, the long-term fate of a nation was rarely profoundly affected.

To outsiders, Latin American coups were something of a joke, and the typical military dictator was a garishly uniformed general wbo could barely sign his name and was to be bought for a modest sum —in dollars.

Another era

But the Brazilian coup took the armed forces as an institution to power, and ushered in a military era which does not depeod so firmly on the personal ambitions of any one particular man. With the fall of Nicaragua's Anastaslo Somoza, the continent's last remaining caudillo is General Alfredo Stroessner, who bas reigned io Paraguay for 26 years.

Though more thao half of all Latin American nations are under military rule, most generals at least pretend that government will eventually be banded back to civilians. The armed forces of Ecuador and Peru have recently carried through carefully planned democratic exercises with new constitutions and free presidential elections; but the Southern Cone regimes have a less generous approach to ceding power.

In Uruguay, Chile and Argentina the military want to ensure themselves a permanent place in politics, and do not want to risk banding over to any but the most conservative president. A military man will succeed President Videla next year, and a new Chilean President will not be named before 1985, with free elections aet for after 1990.

The Uruguayan military are to put a revised constitution to the vote at the end of this year —revisions include a ban on left-wing parties, and the classification of citizens into those suitable for civil service jobs.

Besides being so prominent in government, the Latin American military retain their more traditional role of defending national sovereignty. Nearly all the region's natioos are involved in territorial disputes, and guarding the frontiers is a taak to be taken seriously. Tbus spending on conventional weaponry is a major item in many national budgets, and competition for funds among different branches of the services is fierce.

Linked to the fact that boundary issues are still very much alive is an interest in geopolitics. The Brazilian military bas been most prolific in their publication of geopolitical tracts, but in Argentina and Chile there are also important schools of thought — partly because of Argentina's long time fear of Brazilian hegemony.

Massive colonisation schemes bave been instigated by the military in some countries—particularly those with Amazon lands—as part of the need to settle frontier areas and protect them against foreign incursions.

General Golbery do Couto e Silva's intellectual leadership in the Brazilian War College has been crucial, not only for the geopolitical thinking that encouraged Brazilian expansionism, but also for the development of tha "National Security" doctrine.

Sbared by most of the Latin American military and translated into national security laws in many oountries, the doctrine ties the concepts of security and development inextricably together, and gives the military a permanent justification for intervening in political, social and economic matters.

Taken to its logical conclusion, National Security warrants the use of the most extreme forms of repression to restrain anyone the military consider to be acting against the national interest, because the national interest is above any other cause.

The Cuban revolution first focused attention on the "internal enemy" and furnished the armed forces with carte blanche for counter-insurgency operations. Aided and abetted by the United States, which supplied special training in Panama and the U.S., the Latin American military launched campaigns against guerrilla groups throughout the continent, often extending their ferocious repression to trades unioos, students, the church and any popular movement with a faintly pink tinge.

Late in 1979 army commanders met in Bogota to discuss how best to defeat the guerrilla movemeots remaining in Central and South America, emphasising the need for regional co-operation against subversion. By this time Colombia, Guatemala, El Salvador and Hondnras were the only countries with a serious guerrilla problem.

Wiped out

The Brazilian urban movements, the Tupamaroa of Uruguay and the Chilean and Argentine groups bad all been virtually wiped out—and in tbese four countries the military had such a firm hold that a resurgence of guerrilla activity seemed unlikely.

Though the fear of Cuban-financed and stimulated subversioo has waned, most Latin American military men are rabidly anti-Communist, partly because of the strong U.S. influence at the height of Cold War politics, and more recently because the National Security doctrine has fostered mistrust of any far-reacbing social and economic change.

On the contrary, the Brazilian and Southern Cone regimes have encouraged foreign investment and made economic growth their primary targets, at the expense of human rights and income distribution.

But Peru, Ecuador, Bolivia and Panama, traditionally bastions of rather conservative governments, bave recently had military regimes that purported to be revolutionary—though the changes they set out to implement were soon watered down.

Mexico and Costa Rica are both exceptional in the Latin American context — Mexico because the military have been kept firmly out of the political arena for so many years, and Costa Rica because the army was abolished by a junta in 1949.

Lest the military should be seen as strong men permanently lurking in the background, getting ready to throw out benign democratically elected presidents, it should be pointed out that many civilians with political ambitions bave gone knocking on barrack doors.

And often electoral fraud, massive over-spending, party rivalries, political violence or blatant corruption have acted as catalysts for a coup. However, tha armed forces have also set out to de-stabilise and overthrow popular governments, with some outside encouragement and the help of local right-wing paramilitary groups—as in the case of Chile.

A political professionalism may bave proved a rare article, but the Latin American military are increasingly professional. The role of army ednCation institutions has been important in officer training, and war college think tanks are responsible for providing meaty doctrines.

For many of the urban poor and the peasants, compulsory recruitment is equivalent to compulsory schooling. The armed forces teach literacy and basic skills such as driving, and the recruit sees something of his country.

With territory still to map, roads to build and transport aervices to run, tha armed services have tasks that legitimately tie them to national development objectives. The construction of the last link in the Pan-American Highway system, through the Darien Gap jungles and swamps, is being carried out by a Colombian army engineering battalion, whila Colombian troops are frequently called in to help when landslides, earthquakes or floods cause major disasters.

The armed forces have had another chore little to their liking over the last two years—the anti-drug campaign on the claim army officers only serves north Colombian coast, which to corrupt the military.

Military industries have a key role in some Latin American economies—not just arms production, which has grown rapidly in Brazil and Argentina, but other strategic areas such as mining and petroleum.

Highly involved

The Ecuadorean army, for example, has stakes in car production and the state steel company, while the navy is closely involved in fishing and shipbuilding projects. Fabricaciones Militares of Argentina produces a wide range of military equipment, and has major holdings in petro-chemical, steel and construction companies.

Where the military have held political power, it has been easy to consolidate their economic aecurity, and fringe benefits such as housing, cars and generous pensions—not to speak of the opportunities for contraband—make a career in the armed forces attractive.

There are nther perks too: a famous Brazilian cartoonist sbows a fond father asking his son what he wants to be when he grows up. "President" is the answer. The next picture shows that father taking bis boy to ba enrolled at a military academy.

Some military regimes have looked for legitimacy by holding well-rigged elections or even creating a pseudo-democracy. President Carter's human rights policy and his open approval of civilian democracies bave put pressure on the Southern Cone dictatorships to curb soma of their worst excesses, but the records nf torture, of disappeared people, of every form of persecution, will make dismal testimonials compared with tha statues of the Liberators.

هكذا من الأصل

Violence in San Salvador, (left): men, women and children struggle to escape from a human stampede after a hail of gunfire broke up a funeral mass for slain Archbishop Oscar Romero. Right: Crowds in Sao Paulo, Brazil, hurl rocks at the windows of a bank during a bank workers' strike. Violence exploded between police and the demonstrators

Activities strictly limited

TRADE UNIONS

ALAN ANGELL

MOST LATIN American workers face regimes which are hostile to their interests. Military governments in Chile and Uruguay base their political and economic strategies on control over labour, and similar governments in Argentina and Brazil differ only in greater uncertainty and lesser resolve.

Even the civilian, but authoritarian, Mexican Government has a very poor record on income distribution—though its successful model of labour management which involves co-optation and concession, rather than coercion and repression — had been imitated, with no success at all, only in Peru.

Why should Latin American governments take unions so seriously? The first reason is political — many governments in Latin America came to power precisely to stem the political tide that was flowing in favour of the Left.

The Chilean military coup of 1973 was the most dramatic attempt to turn back the political clock. Not only the policies of Allende's Popular Unity government, but also those of Frei's Christian Democratic government (from 1964 to 1970) were seen as irresponsible exercises in political demagoguery, which, by granting "unreal" economic and political concessions to the urban workers and the peasantry, would undermine the very fabric of the nation.

The Brazilian military took power in 1964 (among other reasons) to stop President Goulart's encouragement of urban trade unions and peasant leagues.

In Uruguay and Argentina, the struggle against urban terrorism was a more immediate reason for the seizure of power, but in both countries the subsequent general attack on the Left (defined very broadly) adversely affected the unions.

Repression

The extent of repression in so many Latin American countries, varying from outright murder of trada union leaders to elaborate restrictions on basic union activities is an indication of how seriously Governments take the potential threat of organised labour movements.

But the reason for such measures is also economic. Although there are many differences between the policies of the military governments of Latin America—from the would-be reformism of the recent Peruvian experiment, to the dogmatic monetarism of the Chileans or tha State-based expansion of the Brazilians—nevertheless, these Governments agree that inflation can only be controlled by severe restraints on real wages and that the process of accumulation can take place only by favouring capital against labour.

The obvious unpopularity of such a policy, especially when it marks a break with the recent past, helps to explain why political authoritarianism is so often in Latin America a necessary condition for the operation of the free market economy.

Has it proved difficult to contain demands from the unions? In fact it has, and rather surprisingly so in view of the organisational weaknesses of most Latin American labour movements. Only in Argentina is there a labour movement comparable in size, strength and national coverage to the powerful union movements of Western Europe.

Most Latin American workers are not in unions. Even in manufacturing industry, most workers will be employed in firms too small to develop a union. Most urban workers do not even find employment in the industrial sector.

Examples

In Brazil, about 30 per cent of the urban labour force is classified as self-employed, and in Chile about 20 per cent. In Peru, the level of urban underemployment varies between 50 and 60 per cent of the work force. (Readers anxious for up-to-date statistical information are referred to a recent publication of the London Latin American Bureau entitled *Unity is Strength: Trade Unions in Latin America.*)

Potential union strength is frequently the victim of deep divisions between white collar employees and blue collar workers, between workers in the state sector and those in the private sector, and between rural and urban labour. Governments have been adept in manipulating these divisions to their own advantage.

Divisions in the structure of the work force find a parallel in the political divisions that were once such a feature of the unions. Socialists and Communists were long-standing rivals in the Chilean labour movement, despite their co-operation during the Popular Unity government. The Peruvian labour movement is still divided into hostile camps of Communists, Apristas, Maoists and Trotskyists — even though most Argentine workers would regard themselves as Peronists, that allegiance covers a very broad spectrum of opinions.

In Mexico, leaders of the pro-Government CTM have to face increasing challenges from communist and independent led unions. And even in countries which maintain a democratic and competitive political system, such as Colombia or Venezuela, the labour movement is divided into a number of competing confederations.

Divisions have been intensified by the activities of international labour organisations, as rival groups representing non-political unionism, Christian unionism or Communist unionism have competed for the allegiance of local organisations.

Yet, despite these divisions and weaknesses, and in spite of tough anti-union measures by military governments, or more enticing offers from civilian governments, recent years have seen a marked increase in union militancy. The evidence varies from country to country, but it is, nonetheless, impressive.

Brazil, since 1978, has witnessed strikes on a scale unparalleled since the populist days of President Goulart in the mid-sixties. And the most aggressive conflicts have been fought by the relatively well-off car workers of Sao Paolo, though their example has been followed by groups as diverse as the miserably paid construction workers of the north-eastern cities and some middle-class civil servants in Rio.

It would not be an exaggeration to say that the general strike in Peru in 1977 was a decisive event in the acceptance by the military government that it had failed, politically and economically, and would be better off back in the barracks.

In Chile, the government abandoned its attempt to set up official unions and faces an unending stream of criticism from union leaders, several of whom were once active in opposing the Allende government. Strikes and demonstrations have increased as the union movement has overwhelmingly rejected the government's "labour plan."

The Argentine Government's policy of keeping unemployment down to remarkably low levels (rarely above 3 per cent) is testimony to its recognition of the potential power of the unions, and is intended to prevent a repetition of the riots and strikes of 1969 which brought down the military President Onganía.

But there is little evidence that the Government has had any success in winning over the unions from their allegiance to Peronism. Even the Mexican Government finds that labour management is a more complex and difficult operation than it used to be.

What explanation can we offer for this pattern of increasing union resistance? In the first place, the very scale of economic expansion in some countries has given rise to a numerically stronger and better organised labour force: the Brazilian car workers are an obvious example of a group brought to prominence by the economic "miracle."

But of greater importance is the way in which organised labour haa come to speak for — and to represent — the general interests of the urban poor.

Two facets

Popular protest and union resistance are often two facets of the same process. The economic policies of most Latin American governments do not favour the lower income groups. Unions have taken up (and identified with) general opposition movements partly because only by such identification can they hope to secure any improvement in their members' conditions. Unions have to transcend their limited sectoral objectives because most regimes make it practically impossible to perform those functiona with any degree of effectiveness.

In a sense, therefore, unions have to offer an alternative political and economic model to the existing system of domination; and such an alternative encompasses widely based popular demands for a change in the pattern of distribution.

Another development that has increased the political significance of organised labour has been the growth of white collar militancy. It is not only the working class that has suffered economically. In Peru, the schoolteachers' union, under Maoist leadership, was the largest, most militant and most effective opponent of the military Government—not because the union had much economic weight, but because of its power to mobilise support from pupils and their parents, the peasantry and the Church.

In Mexico, seemingly "middle class" unions, such as university employees and nuclear power workers, are among the most troublesome. In Colombia bank workers, civil servants and school teachers frequently force the Government into a corner. Given the size of the public sector in most Latin American countries, the days are gone when union militancy was limited to miners, dockers and textile workers.

Union opposition to authoritarian governments does not operate in isolation. Indeed, it was only because the growth of general opposition to the Government in Brazil which led to political liberalisation that the unions were able to act with a freedom that would not have been possible five years earlier.

Perhaps most important has been the support given to labour by the Church. Such aid is a constant source of embarrassment to governments that claim that they came into power to re-assert Christian values.

As unions are now struggling in Latin America to assert basic rights, rather than to establish Left-wing regimes, previously hostile foreign unions, such aa the North American AFL-CIO, have proved to be rather unlikely allies. A threatened boycott of Chilean exports by that union forced the Government into some hasty revisions of proposed union legislation.

Unions in Latin America have suffered severe reversals since the new wave of military governments took power. But recent developments have shown how difficult it is to establish continuing control over the working class.

Peru and Brazil have, perhaps, the first examples of a general process in which trade unions begin very slowly to re-assert their rights and to exercise their power.

XVI

Diversity of airline services

TRAVEL

HUGH O'SHAUGHNESSY

Our Latin America Correspondent

WITH THE halting of almost all passenger shipping lines to Latin America from Europe and the U.S.—apart from Caribbean cruises — the traveller has little alternative to the airline.

Sadly, he can expect few of the travel bargains such as those which are hringing the London to Hong Kong air-fare down to £100. Battles between the U.S. and European airlines and their less well-equipped Latin American competitors have led to fares being kept high. Latin American Governments, supporting their own airlines, have limited the fare-cutting possibilities of foreign companies. The individual traveller can, however, pare fares down considerably by taking a cheap trans-Atlantic flight from Europe to Miami, and there buying one of the range of cut-price excursions to his final destination.

The safety and reliability of the international services offered by the airlines is variable. The European giants such as British Airways, Lufthansa and Air France, try to keep up their standards of service in Latin America and they generally do remarkably well. Smaller European operators such as British Caledonian, which a few years ago gave the impression of not having the resources to cope efficiently with the vagaries of airline life in Latin America, bave greatly improved.

Among the U.S. carriers, Pan American coosistently outperforms its U.S. competitors; and among the Latin American airlines, Varig has sought — and gained — the best mark for in-flight service on its long haul routes.

The determination that the Brazilian flight attendants put into their job is often very impressive, though at times it has its disconcerting side. For instance, I once flew Varig from Zurich to Rio first class and enjoyed impeccable service. The only thing wrong was that the cabin crew never once found a moment to smile at any passenger.

The fact that Aerolineas Argentinas is controlled by the air force of Argentine sometimes shows. As a tourist class passenger, I have at times felt more like a recruit than a paying customer. On the other band the pilot's determination to carry out their allotted missions sometimes make for remarkable flights, as in a widely-reported incident one winter's day some years ago, when an Argentine aircraft took off, its wings covered with snow, from Kennedy Airport, New York. After barely clearing some rooftops, it continued on its way to Buenos Aires, much to the amazement of the traffic controllers.

Some Latin American airlines, though not usually the bigger ones, suffer maintenance difficulties either through managerial weaknesses or through the lack of foreign exchange to buy spares and services. One Latin American airline is certainly in that position at the moment and may soon have to stop flying.

Some Latin American airlines are, frankly, unsafe at any speed end the traffic control sometimes lacks the sophistication found in other part of the world. One of my most memorable flying moments came a few years ago when, at a few thousand feet, several moments after taking off in a Brazilian aircraft from Brasilia to Lima, I found myself staring et the disappearing exhausts of another aircraft which had cut across our path and cannot have missed us by more than a hundred feet.

Rail travel

The traveller who wants to savour Latin America—and do it cheaply—is well advised to take the train where he can. An old and trustworthy friend of mine who took the train from Brazil to the Bolivian city of Santa Cruz reported once that the pace of travel was such as to allow a passengers' scratch team to play the natives at a healthy and leg-stretching game of foothall at the more important stations en route.

The sense of camaraderie on the afternoon train from Machu Picchu to Cuzco last October allowed this correspondent to join his fellow passengers in shifting the boulder which had fallen across the track. But Latin American rail travel is not all playing football and shifting boulders. The sleeper trains of the region offer cheap and luxurious exclusivity.

El Regiomontano, which plies between Mexico City and the northern capital of Monterrey, offers exceptional value and scenery, excellent cheap meals and the chance of whiling away the evening hours in slightly faded stainless steel elegance of the parlour car. Or, if your business takes you from Buenos Aires to Bariloche, don't fail to take Los Arrayanes which offers yon comfortable sleepers, bealthy Argentine steaks and wine, two showings in the cinema car in the evening, and the slow nnfolding of the Patagonian landscape in the morning.

Likewise in Chile, make some excuse tn take the Flecha Nocturna to Puerto Montt which when I last travelled on it was made up of eminently comfortable broad-gange sleeping cars made in Birmingham many decades ago. The nnfolding of the lake district of southern Chile, with the Andes rising beyond it is e thing to be savoured the morning after leaving Santiago.

But equelly, don't disdain the bnmble bus nr shared taxi. The business visitor to a Latin American capital who finds himself with time on his hands at a weekend could do a lot worse than find his way down to the bus station or lnng distance taxi terminal and venture a day or two into the interior. By his return to business on Monday he could well have picked up a good "feel" of the country.

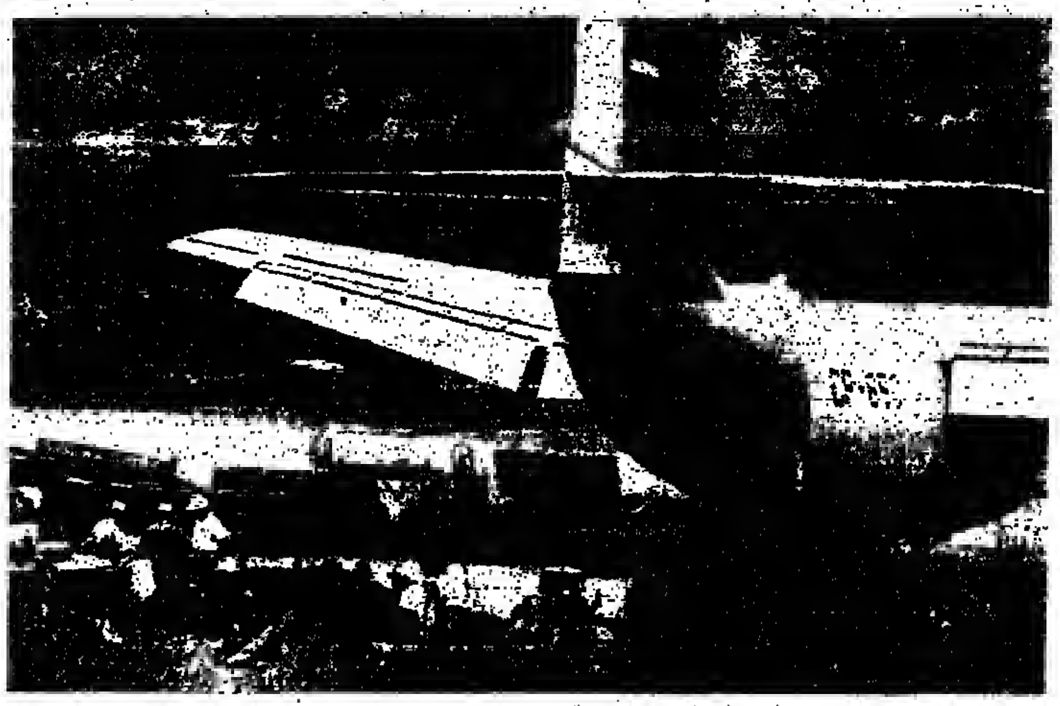
He could well have picked np some kudos for having visited places and seen things that the inhabitant of the capital had never seen. In Brazil, it is perfectly possible to be driven in great comfort across Amazonia, say from Brasilia to Belem, in a leito or a bus with reclining seats and in the space of 32 bours or so absorb some feeling for the Wild West pioneering spirit of the region's largest country. Or, for instance, a journey from Lima to one of the towns in the Amazon basin is cheap hy taxi. The fascination lies in the great variation of climate, vegetation and life style one sees, from the desert drabness of the Peruvian capital, across one of the world's highest passes to the high plains or puna when the inhabitants berd their flocks of llama, and then on to the semi-tropical wilderness on the far side of the watershed.

One of the finest sights in the Western Hemisphere, the citadel of La Ferriere, built by King Henri Christophe when he was ruling the newly independent republic of Haiti, is only accessible by muleback. This enormous fortificatinn, a stupendous monument to the king's strength nf will, is a sort of tropical Colditz. It is carved nnt nn a rocky spur an bour's trek from Milot, where, et the now-ruined palace of Sans Souci, the king held court with his dukes and counts.

From Milot, accessible hy taxi from Cap Haitien, your mount, led by his owner, takes you up a rocky track on which the peasants have laid out their coffee to dry or their fruit to tempt you to buy.

Thet region's hotels and hoteliers deserve at least as mnch mention as the sights and the modes of travelling. How, for instance, could I return to the Riviera in Hevana after an official had accused me of lying when I reported the loss from my room of a pocket tape-recorder? How could the concierge of one of the Claridge Hotels in Buenos Aires have turned over a French journalist over to the police because he did not like the reporter's dispatch about Argentina? Have certain lift attendants at the Carrera in Santiago, who in the Allende days did good business on the black market changing dollars for visitors between floors, been replaced?

Why is the Holel Colon in Quito so good? Or the Bolivar in Lima? Is the Pension Beck to be recommended in Cap Haitien? The answerse to some of these questions and thousands more are to be found in John Brooks' Sonth American Handbook, updated each year and published by Trade and Travel Publications in Bath. No traveller in Latin America, amateur or professional, should leave home without it.



A transport plane brings in supplies to a mining camp in the forested eastern zones of Bolivia

A wealth of experiences await the visitor

TOURISM

HUGH O'SHAUGHNESSY

Our Latin America Correspondent

LATIN AMERICA is the place for the traveller. Not for the tourist, mind you, hut for the real traveller. Tourism, I am glad to report, has made comparatively few lnroads into the region. Witb the possible exceptions of Acapulco, the Argentine resort of Mar del Plata and the Uruguayan town of Punta del Este, there are no resorts whose character can be compared in awfulness with Miami Beach or Torremolinos or Rimini.

There are of course those misguided promoters, especially in Mexico, who want to convert strips of the Latin American coastline into facsimiles of the worst that Florida, Spain and the Italien Adrietic can offer. But, bappily, nature usually laughs at them. The region's immense coastline and comparatively low population density mean that there is seldom tbe lemming-like competition for sea and sun whicb afflicts Western Europe and parts of tbe U.S., squeshing millions together on some particularly unfortunate piece of beach.

There are certainly package tours. Most Latin American capitals bave at least one sharp operator with a more or less serviceable fleet of buses christened Gray Line to tempt the visitor from the U.S. for a sanitized tour round town. And in the lobbies of the larger hotels in the bigger cities one can see a slowly increasing number of visitors making their way in groups round the continent on some "adventure" tour. Such tours are often sad affairs, keeping the visitors to a careful round of reliable, tame excursions, and giving little taste of the real adventures of Latin American travel, whicb are too risky ever to be marketed commercially.

But those who want tn make their own way, to take time and the occasinnal risk, will be rewarded with unspoiled and nnfrequented sites, and unusual experiences such as the more developed parts of the world can scarcely still offer.

The civilisatinns which have flourished and died in Latin America have left some stupendous monuments. The exotic nature of these monuments for the European traveller is very often heightened by the mystery which still surrounds the history of their rise, flowering and decline.

Added attraction

The fact that we know little of the precise religious or civic motives which prompted, for instance, the Zapotecs to build a series of temples on the great acropolis of Monte Alban, outside the Mexican city of Oaxaca, nr the Incas to build the remote and inaccessible city of Machu Picchu on the saddle of a mountain, a magnificent site in the depths of the Peruvian jungle, gives added attraction to a visit to them today.

There is also the realisation that in meny centres of pre-Columhian civilisation, more remains to be uncovered than has yet been found. What wonders may not be awaiting discovery in Yucatan and Belize? And might there not be a city similar to Machu Picchu somewhere in its vicinity, untouched since its last inbabltants died four centuries ago?

The traveller who as yet feels unmoved by the attraction of civilisations antedating the arrival of Spaniards and the Portuguese may perhaps want to visit cities which show traces of colonial times. He will find plenty of them in most parts of the region, save the southern parts of Argentina and Chile.

In the Caribbean, the Dominicans and the Puerto Ricans have both done excellent work in preserving the colonial atmosphere of capitals such as Santo Domingo and San Joan.

The Dominican Government spent much time and effort in rebuilding and restoring Columbus's first effective capital, and the old quarter of Santo Domingo is able still to transport the imaginative traveller back to the 16th century. The cathedral is certainly the equal of many in Spain, and the ocarby palace of Diego Colon, Columbus's son and Second Admiral of the Indiea, is still a handsome building. One can well understand why a chronicler wrote to the Emperor Charles V and assured him that he would be "as well lodged there es in nne of the finest bouses in Castille."

In Puerto Rico, San Juan does not have the wealth of different religious and domestic architecture still to be seen in Santo Domingo. Bnt in the Morro—the massive fortress built at the mouth of the harbour to defend the treasure convoys from Spain's European enemies—San Juan has a marvelloos example of military architecture, whose size and cost testify to the overwhelming economic importance that the kings of Spain attached to the riches of their American empire.

In some cities architectural monuments and the continuing customs of the people show how uneasy has been the grafting of European on to pre-Enropean cultures.

The most significant example of cultural imperialism was surely the construction nf the massive cathedral in Mexico City, built on the site nf the sanctuary of the Aztecs after the Spaniards bad just defeated them. However, little remains of the Aztec structures, at least above ground level. More visible is the little church of Los Remedios, which the conquerors built on top of the higgest pre-Columbian structure in America: the pyramid to the plumed serpent Quetzalcoatl at Cholula, 75 miles west of Mexico City.

The continuing mixture of Christian and pre-Christian civilisations is nowhere better illustrated thao at Chichicastenango, in the highlands of Guatemala, where Mayan Indians, many in their ancestral finery, burn incense to their old gods on the steps of the church at Saint Thomas.

Nowhere have the beautiful and contrasting harmonies of pre-Christian and Christian artists better been shown off than in the Regional Museum at Oaxaca. Here, ancient jewellery of gold, coral and crystal and other treasures are exhibited in the former monastry nf Santo Domingo.

Sight seeing

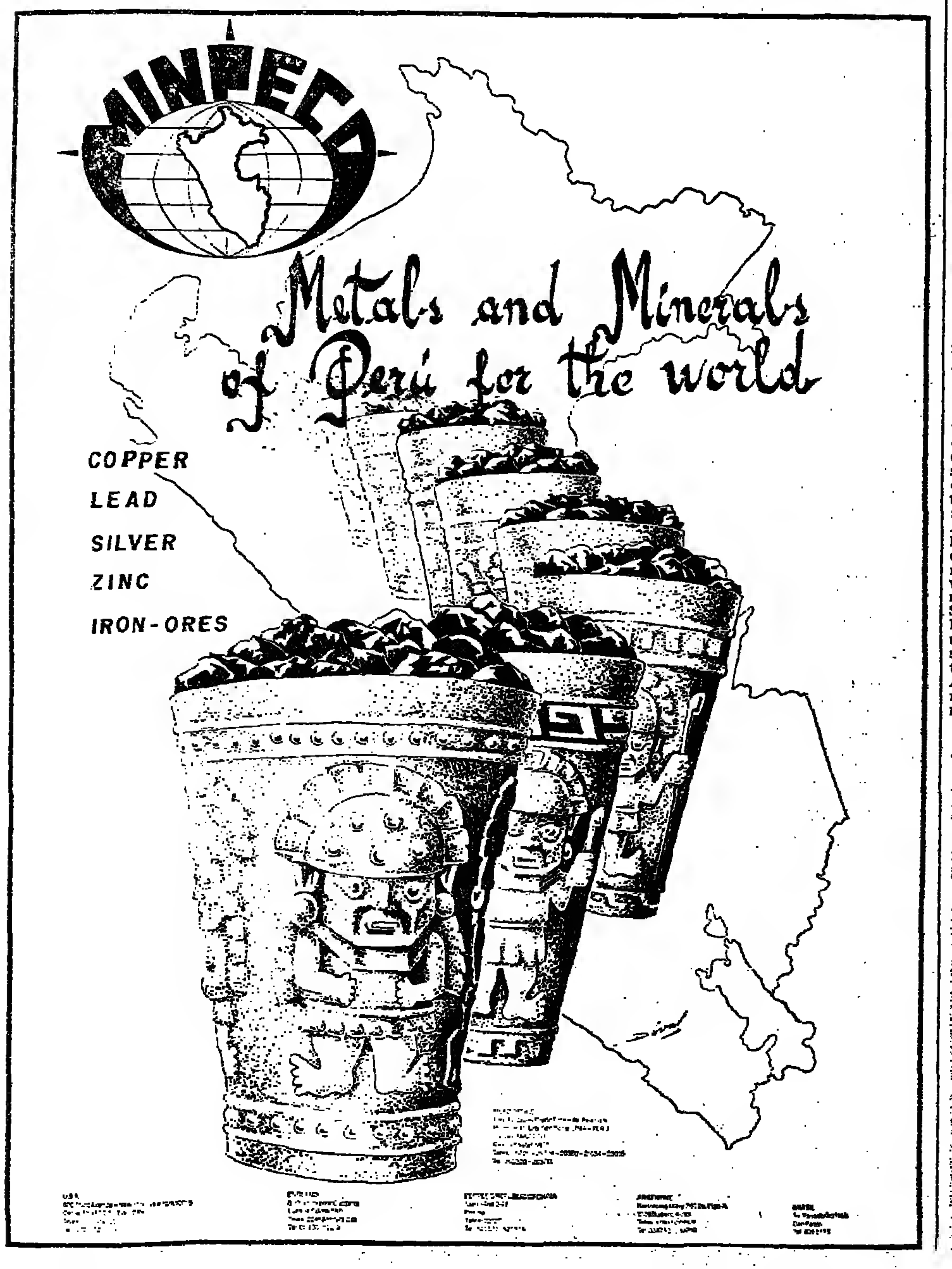
The catalogue of places to see in Latin America is endless and the list of monuments unlimited—down to the ultra-modernity of a capital like Brasilia.

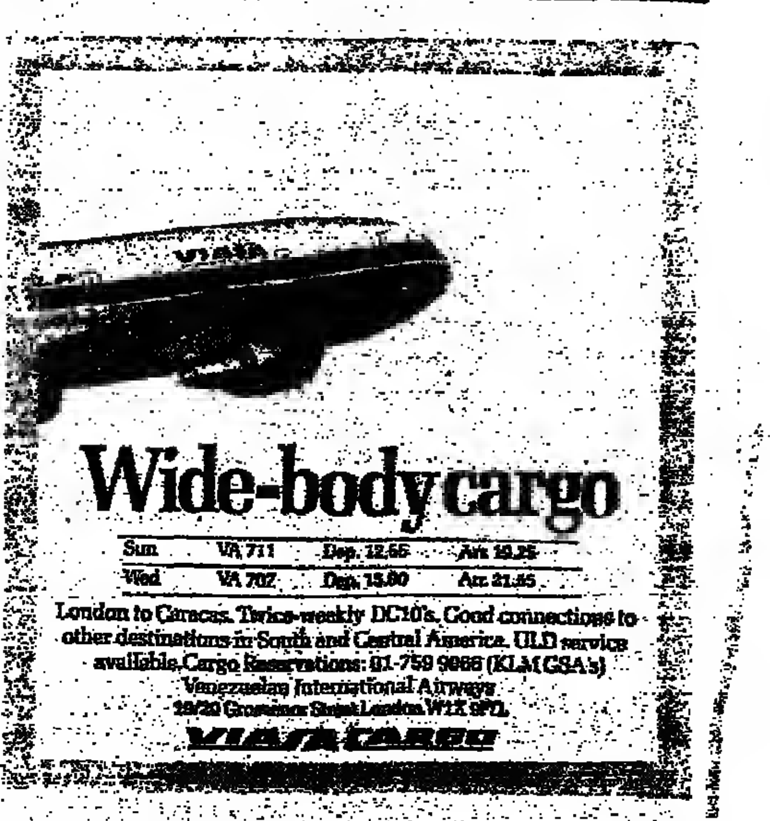
But virtually everywhere, in every human settlement nature is the constant and often dramatic backdrop.

No city in the world, extinct or dead can be more dramatically sited than Machu Picchu in Peru. No modern city could have a mnre luxuriant and beautiful setting than Rin de Janeiro, where a taxi will take you to Tijuca, a jungle park with butterflies as big as saucers. The architecturally undistinguished city of Santiago can in the evenings he transformed as the sun sets on the Andes, turning them to a wall of pink more than 20,000 feet high.

In what other seat of government than La Paz in Bolivia would the inexperienced visitor be edvised to relax with a bottle of oxygen on his first day because of the altitude of 11,000 feet? Are there many other continnously inhabited places on earth where the sense of loneliness and remoteness is stronger than in Patagonia nr the Falkland Islands?

Such are the fascinations of travel in this hnge continent.





Regional integration offers big advantages

U.N. ECONOMIC COMMISSION

BY MARY HELEN SPOONER
Our Santiago Correspondent

IN AUGUST, 1947, Chile's representative to the United Nations presented a proposal for an Economic Commission for Latin America. The region, according to the diplomat, was facing severe economic pressures, not only from underdevelopment but from the dislocations caused by the Second World War. The war, and its after effects, had forced Latin America to suspend development plans, he said.

The proposal was approved on February 25, 1948, and more thao two decades later most member nations of the UN Economic Commission for Latin America (CEPAL) are faced, once again, with fall-out from the industrialised north, in the form of a world recession. But the region now seems better prepared to withstand such an onslaught.

Part of the reason for this, according to CEPAL executive secretary, Enrique Iglesias, ia the increase in Latin American economic co-operation in the form of multilateral trade agreements and sub-regional common market accords.

"During the 1950s, harely 5 per cent of the region's total trade took place among countries of the region," he said. "Today, that figure has reached between 17 to 18 per cent, which indicates an important advance in co-operation schemes."

CEPAL, in the past, has been closely identified with the sub-regional accorda in Latin America and the Caribbean, Sr. Iglesias said, noting that one such accord, the Central American Common Market, was born as a proposal at a CEPAL meeting.

"This was a proposal which took on its own life," he said, concerning the Central American Common Market. "CEPAL has also been very active in the Latin American Free Trade Association (ALALC), and it was the commission which assisted at the hirth of ALALC."

Then there was the Andean Pact, a trade and development co-operation plan among Venezuela, Colombia, Ecuador, Peru, Bolivia and until a few years ago, Chile; plus the Caribbean Economic Community (CARRICOM). But, for the moment, CEPAL is not busily hatching new intra-regional accords, but rather lending its technical and academic experience to Latin American integration, as a whole.

"The CEPAL philosophy is that the greatest advantage lies in regional integration," said Sr. Iglesias. He admits, however, that some integrationist efforts have not succeeded as planned.

"There were crises occurring in some formal integration schemes in regard to the expectations surrounding them at the time of their creation," he added. "But if one looks at the process of regional co-operation as shown by statistics, one has to accept that there have been very important advances in intra-regional co-operation in Latin America."

This regional co-operation provides Latin America and the Caribbean with a partial defence against any violent changes in the world market, according to Sr. Iglesias.

Collaboration

"We have maintained that regional collaboration should be complementary, thus creating a much stronger defence mechanism in the face of international economic changes," he said. "And, in recent years, this has been the case, for industrial production in some of the larger countries in the region have found a strong market within Latin America."
9 fO se

Iodustry is growing, albeit slowly, in Latin America, as Sr. Iglesias noted at last year'a CEPAL meeting in La Paz.

Steel production has quintupled since 1960, and raw materials bave declined from 95 per cent of the region's exports to 80 per cent.

But the disparity with production in the industrialised nations remains enormous.

Meanwhile, any immediate economic benefits for the people of Latin America are being unevenly distributed, according to Sr. Iglesias' figures. Some 60 per cent of any productions gains affect only the wealthiest sectors of society. Approximately ooe-third of the population in Latin America is malnourished and 30 per cent underemployed.

Within the context of the world ecooomy, however, Latin America is continuing to show growth. The region, S. Iglesias told conference delegates in La Paz, "has learned how to export." In addition, Latin America has become an active borrower of capital from international banks, a phenomenon unknown in previous times, he said.

"In this sense, it cannot be said we have been too affected so far by the world recession," he said. "But it could hurt us by depressing the price of basic products, increase trade protectionism and thus impede the access of our exports to the markets of industrialised countries."

But for Latin America, inflation is a more serious problem, and triple digit inflation (hyperinflation) has plagued a number of countries.

"This is a new phenomenon—recession with inflation," said Sr. Iglesias. "Latin America is a victim of very heavy blows from the inflatioo of the countries' internal economies, and the union of international inflation to internal inflation."

The commission's preliminary balance sheet for last year illustrates this. The rate of inflatioo for the region, as a whole, rose from slightly more thao 40 per cent in 1978 to 51 per cent in 1979, and the number of countries in which consumer prices increased more rapidly than io the previous year (16), nearly tripled over the number of those nations in which inflation lost some of its momentum (six).

The countries with highest inflation include Argentina, Brazil, Colombia, Chile, Mexico, Peru and Uruguay. Last year, the costs of their imports grew by a combined 18.3 per cent. While exports grew by 14 per cent. These figures contrast with the trade statistics for Latin America in general, which show an increase in the growth of exports (17 per cent) over imports (15.8 per cent). And although the rising cost of oil accounts for much of the increases in foreign imports, two of the high inflation countries—Peru and Mexico—are oil producers and exporters.

Sr. Iglesias, a Uruguayan economist who has served as the commission's executive secretary since 1972, expresses an ambivalent attitude towards the presence of multinational corporations in Latin America.

"We have maintained that they are a world phenomenon, pertaining to the evolution of modern business and as such are something with which we must co-exist," he said. "They form part of the economic phenomenon of international capitalism."

Their contributions to the region, according to Sr. Iglesias, include technological advancements, the expansion of export marketa and a general increase in production.

"The negative aspect has been seen when the multinationals' policies were not in accordance with national objectives, when there was not a consensus between the interests of the companies and the interests of the countries," he added. "For this reason we have always emphasised the importaoce of a code of conduct for the companies."

The sub-regional, Government-to-Government economic co-operation promoted by CEPAL is not necessarily anti-capitalist, but the commission's officials have been critical of traditional economic schemes.

Sr. Iglesias's predecessor, Argetine economist Paul Prebisch, has publicly charged that free market systems do not modify under-development.

Remarkable progress in the last 20 years

REGIONAL FINANCE

NANCY DUNNE

WHILE MORE than 100m people in Latin America live a precarious existence in or on the edge of poverty, their region still has made remarkable progress in the past 20 years. Its real Gross Domestic Product has tripled, exports have more than doubled, living conditions for millions have improved substantially, and modern industrial economies have sprung up in urban areas across the Continents.

An integral part in these advances has been played by the Inter-American Development Bank, founded in 1959 by the U.S. and 19 Latin American countries seeking a regional bank responsive to their own needs.

Since its inception, the bank has made solid and steady progress. With a membership now grown to 42 countries, its initial capital has multiplied by 30. The IDB, once referred to as "a bank of debtors" has helped finance health and education programmes, low cost housing, dams and canals, agriculture co-operatives, electrification programmes, and transportation and communications networka. It was the first international institution to venture into large-scale rural development.

From 1961 to 1978, the Bank contributed $14.8bn in investment loans and organised financing for programmes and projects involving a total investment of more than $57bn. By 1979 its lending volume topped $2bn annually.

Organised as a corporation, the bank's charter links voting power directly with a country's atock subscription. The Latin American borrowers hold a controlling 56.2 per cent interest.

The U.S. is, by charter, the aecond largest shareholder with 34.9 per cent of the stock, aod it has been American foreign policy which has largely influenced the bank'a directioo. The IDB's early years coincided with President John Kennedy's Alliance for Progress, when foreign aid was still popular with the American public. With the nation's expensive iovolvement in Vietnam and subsequent ecooomic troubles, support for foreign aid waned, and the bank began lookiog elsewhere for additional resources.

Member countries

Canada was admitted in 1972 and was allotted a 4.7 per ceot interest. In 1976 the first of 13 European countries were admitted to membership and, later, Japan and Israel joined in. The 15 non-regional members have a 4.2 per cent interest. Portugal is the most recent member and the Koreans are said to be considering applying for admittance.

Despite widespread concurrence on the principles of aid among the industrialised countries to the developing nationa of the south, member countries do not join the IDB for altruistic reasons alone. The billions of dollars of loans made to the 23 Latin American countries (oil-rich Veoezuela is no longer a borrower) mean expanded trade for the investors, since equipment is purchased and technical aid obtained only from member countries. Bank officials estimste that for every dollar horrowed from the U.S., $2.5 to $3 are returned in trade.

Bank officials say the technical expertise they provide to loan applicants has, over the yeara, helped create the basic institutional structures necessary for effective development efforts.

The Bank's capital resources consist of shares subscribed by all member countries. In 1979 ita capital subscriptions were composed of $1.4bn in paid-in capital and $10.2bn in callable capital. The bank has never yet had to draw oo its callable capital sobscriptions and does not anticipate any need to do so. It does, however, borrow on the world's capital markets through the issue of bonds and negotiations of direct loans.

The IDB suffered heavy criticism some years ago after Press disclosures that some directors earned higher salaries than the U.S. Secretary of the Treasury. Salaries were cut back and so was the staff. The Bank has made it through the past five years with virtually no real growth in its administrative budget.

Although the IDB maintains a position of ideological neutrality, its policies are not untouched hy political realities. Cuba is not a member and has not asked to join because to do so it must first be a member of the Organisatioo of American States. Border disputes and century-old rivalries among the Latin Americans often play a part in decision making. The Scandinavians, seen as Utopians by many of the Latin Americans, want aid to go predominantly to "the poorest of the poor," while the borrowing Governments are often supporters of "the trickle-down school."

Disputes among the factions however have not prevented the emergence of a coherent lending policy. Preference for soft loans now goes to the poorest Latin American countries—Bolivia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyaoa, Haiti, Honduras Nicaragua and Paraguay. About 30-35 per cent of all investment will be in rural development where planners are making great efforts to stem the flow of migrants to the area's bursting cities.

Energy resources

About one quarter of all loans will go to development of energy resources. As a result of open price rises, the Latin American countries have been caught in a double squeeze. Not only must they bear the burden of higher oil prices, but the costs of goods and services from developed countries has sky-rocketed. The IDB is providing technical assistance for the planning of its borrowers' energy programmes, as well as raising money on the capital markets and mobilising additional funds to co-finance energy development.

U.S. domestic politics have recently caused difficulties in the Bank'a fifth replenishment of capital since its founding. When bank directors voted a $10bn increase in capital to raise lending by 5 to 7 per cent s year for the next four years, the U.S. House of Representatives at first agreed to approve the American share.

"Some parliaments and the U.S. Congress are prone to treat these pledges on a par with direct foreign aid outlays and to cut them under the pretext of reducing Government expenditures," complained the bank's president, Antonio Ortiz Mena, before the Chicago Council on Foreign Relation last month.

A big part of the proposed U.S. contribution to the Bank's capital requires no outlay of federal funds, but only a pledge of callable capital, he pointed out.

Congress has since approved the funds necessary for the Bank's fifth repleoishment of funds. It will provide an additional $600m in paid-in shares and $7.4bn in callable shares.

The Bank raises capital by various means. With "complementary" financing it packages IDB loans with funds from private banks and other financial institutions for specific projects. In co-financing, it enters into joint agreements with other international agencies, bilateral institutions and private sources.

The IDB also administers funds for several countries and the Vatican, the largest of which are supplied by the U.S. and Venezuela. The U.S. fund of $525m, established in 1961 to finance social development projects, was almost entirely committed in its first five years of operation. The $500m Venezuelan trust fund, set up in 1975, helps finance, among other things, loans to develop non-renewable natural resources and hydro-electric potential.

Here and on the following page is a series of profiles on a cross-section of Latin American personalities.

Ramiro Saraiva Guerreiro

Brazil's Foreign Minister, Sr. Ramiro Saraiva Guerreiro — his low-key style contrasts sharply with the unpredictability of the former foreign minister, Sr. Antonio Azeredo da Silveira

BRAZIL'S Foreign Minister, Sr. Ramiro Gnerreiro,, is a 61-year-old career diplomat with aolid experience in multilateral negotiations, who likes to think of himself as a low-key conciliator.

This trait — contrasting sharply with the unpredictability of the former Foreign Minister, Sr. Antonio Azeredo da Silveira—has served Sr. Guerreiro well in Brazil's new priority area—Latin America.

In the past, relations between Brazil and its South American neighbours, or more geographically distant Latin American states, suffered from chronic chills, lethargy or mutual suspicion. Brazil's one time gigantism cnmplexes worried neighbours that it perhaps aspired tn begemony over the subcontinent. These fears were not assuaged by the controversial public statements and negotiating tactics of earlier foreign ministers.

With the advent nf President Joan Figueiredn and of Sr. Guerriero in March, 1979, the mood changed: faced with a troubled world scene, Brazil took a closer, less haughty look at its neighbours. Carefully avoiding words nr deeds that might worry smaller or less-developed states, Brazil has sought intense co-operation with the subcontinent, thus enhancing a growing Latin American consciousness.

Co-operation

After years of squabbles over the heights and generating capacity of the giant Brazil-Paraguay dam, Itaipu, nn the Parana River, and the Argentina-Paraguay project, Cnrups, downstream nf Itaipu —a controversy that raged during the Geisel Administratinn—Sr. Guerreiro offered the Argentinians a wnrkable compromise. Thereafter, Brazil and Argentina discovered that not only could they get along, they could also dense a hroad range nf economic and technological co-operation.

With hte dawn of liberalisation in Brazil, the Foreign Minister's flair for Latin American ententes cordiales helped Brazil to forge closer ties with Mexico and Venezuela—thus diversifying its oil suppliers and paving the way for major industrial co-operation—and to nurture a special multilateral relationship with the andean member-states of the Cartagena Pact, Venezuela, Colombia, Peru, Ecuador and Bolivia.

In negotiations, Sr. Guerreiro is said to measure his words carefully (and sometimes speaks them so softly that his interlocutors must strain to hear), while leaving no room for ambiguities that, subsequently, must be resolved at some pains.

In hyper-sensitive Latin America, this avoidance of excessive space between the words is paramount if there is to be no backsliding into nld, tetchy habits. In many respects, the subcontinent is the acid test of Brazil's self-proclaimed "responsible pragmatism."

DIANA SMITH

Hernan Siles

AS THE son of one of the few more popular presidents of Bolivia, leading organiser of the 1952 Revolution, President of the Republic (1956-60), and now leader of the powerful Democratic and Popular Unity (UDP) electoral alliance, Hernan Siles is indisputably a figure of both historic and contemporary importance in Bolivian political life.

A long-standing social democrat and a figure of personal charm (be is recognised as *simpatico* even by his opponents), Siles has come to personify the nphill struggle to establish a stable parliamentary democracy in Bolivia.

His brand of reformism would be considered distinctly leftist almost anywhere else in the world, but in the extremes of Bolivian politics it is seen as essentially moderate, even orthodox. Twice denied the fruits of victory at tbe polls of the past two years, the UDP and Siles' own party — the Nationalist Revolutionary Movement of the Left (MNRI) — have been hoping finally to capture office in yesterday's election.

Early influence

Siles was born 67 years ago in the ancient southern clty of Sucre, once the capltal of Bollvia. He was 13 wben his father became President and during his training as a lawyer he was greatly influenced by the smal group nf idealistic but enthusiastic natioonalists that Siles Snr. gathered round bim in the later years of his term. This cabal included auch men as Aogusto Cespedes, a talented journalist, and Victor Paz Estenssoro, an economlst, with whom he was to form the Nationalist Revolutionary Movement (MNR) in 1941.

The MNR displayed a plethora of influences, from fascism to redistributive populism; certainly its ideological confusion baffled the U.S. State Department, which seems to bave handled its dislike for the party in conveniently bureaucratic style by periodically transferring its papers from files marked "Nazi Influence" to "Communist Affairs."

Nevertheless, the MNR responded to a coherent current of radicalism in Bolivia after the disastrous Chaco War against Paraguay (1932-35), in which Siles fought as a subaltern and was wounded. The growth of the party allowed him to enter Parliament for the first time in 1940 and, along with Paz and the other "young Turks," he quickly made a name for himself as a scathing critic of the tin oligarchy (Rosca) and the Government, led by the incompetent General Penaranda.

Later Siles was to play an integral part in the MNR's first experience of government in alliance with radicalised junior officers (1943-46) but when this reformist experiment ran out of political momentum and was replaced by a series of right-wing regimes he was forced into clandestine activity for nearly six years.

While Paz remained the leader of the party he lived ln exile, and so it was Siles who directed the day-to-day activities of the MNR and finally masterminded the three-day revolt in April 1952 that ousted the military and brought the party to power for 12 years.

The MNR nationalised the mines, instituted an agrarian reform, and virtually dissolved the traditional army, replacing it with peasant and worker militias. These moves, however, were not part of their programme and had been forced on the leadership by the strength and radicalism of popular mobilisation. The succeeding years saw the MNR attempting to harness these developments, and when Siles became President in 1956, having served as Vice-President under Paz, he was faced with an economy on the verge of collapse and a highly vociferous, discontented labour movement.

Social conflict

His recourse to the IMF and the implementation of an extensive stabilisation plan generated further social conflict. At one stage Siles was obliged to adopt the traditional Bolivian means of protest — the hunger strike — as part of bis efforts to get tbe miners to accept the 1956 measures. The price of adopting such pollcies was the loss of the MNR's left wing, hut Siles was already at odds with Paz and came into open opposition with him when the latter tried to extend his second term as President in 1964.

Various attempts were made to patch up the divisions in the MNR during the Barrientos regime but they came to nothing. Finally, in 1972, Siles gave np and formed the MNR-1. Paz' decision to back the coup of Colonel Banzer in 1971 and gave up and formed the MNRI into government put the seal on the division of the movement and ensured Siles the support of tbose wbn had not already Juan Lechin's PRIN.

With the removal of Banzer in 1978 Siles set about forming a popular electoral alliance of the centre-left and entered into agreement with the Communist Party, the left-wing MIR and variety of small socialist partie to form the UDP. Althoug there have been a multitude o split and realignments amon political parties in Bolivia in th last two years, the UDP ha remained relatively hom geneous in its composition an adherence to a programme reform and "retrieval of soci gains of 1952."

It has been Siles, rather tha Paz, who has had most succes in presenting himself as th natural heir to that traditio Neither has he lost anything allying himself with the pr Moscow Communists, who hav an appreciable following in th working class and long ag nailed their colours to th policy of "the peaceful road socialism."

The UDP almost certainl won the poll of July 1978 b fraud followed by a cou deprived it of office. Last year contest, in which Paz' right-wi alliance was the principal ch lenger, was both cleaner a much more close. Siles narrow won the presidential race, b Paz won a majority in Congre and the resulting stalemate p vented either from tak power.

A similar result may be e pected for the 1980 p although Paz' ill-disguised s port for Colonel Natusch's co last November has undoubted lost him popular support.

It remains to be seen wheth Siles, if he wins the vote, w be able to implement h cautious reforms in the face the right (a fiercely anti-Co munist army) and the left (t powerful miners' union). B his pluralism and his gift the "common touch" put hi in better atead than any oth established political leader.

JAMES DUNKERL

Manuel Becerra Acosta

IN THE remarkably shnrt period of three years, Sr. Manuel Becerra Acosta has built up Uno Mas Uno into one of Mexico's best—many believe *the* best—newspapers.

In a depressingly dull panorama of newspapers, generally , characterised by sycophancy, sensationalism and commercialism. Uoo Mas Uno stands out, not just in Mexico but in Latin America as a whole, like a bright deed in a naugbty world.

This is not to say that Uno Mas Uno, of which Sr. Becerra Acosta is editor, is exempt from the hallmarks of Mexican journalism: excessive nationalism, abundant rhetoric and political naïveté. But compared to many other newspapers, Uno Mas Uno is making a serious and honest attempt to portray the complexities of contemporary Mexico.

Uno Mas Uno was launched on November 14, 1977, from tumbledown premises with a small, virtually unpaid staff using rented printing presses. Now the newspaper has built its own modern offices, bought its own machinery and the weekly wage bill bas shot from 50,000 pesos ($2,212) to 2m pesos ($88,495) for a staff of around 200.

Rapid progress

There are correspondents in Washington, Paris, London, Madrid and parts of Latin America, and soon a weekly pnlitical supplement will be added to the already existing cultural supplement.

The newspaper's circulation has grown to 70,000 but like many "quality" newspapers it is fair to say that its influence is greater than its sales might suggest. It is one of the newspapers which the Mexican president, Sr. Jose Lopez Portillo, takes note of. Every day the President's press dcpartmeot prepares a list of "favourable" and "critical" articles in the Mexican press—and invariably Uno Mas Uno is the newspaper which most criticises tbe Government.

Few people, including Sr. Becerra Acosta, thnught that Uno Mas Uno would achieve some of its objectives in so sbort a tlme. Most of its founding staff, like Sr. Becerra Acosta, were fired from or left Excelsior, the leading establishment newspaper, in July 1976 after a Government-inspired palace purge to stem the liberal views being expressed in Excelsior.

Sr. Becerra Acosta was deputy editor of Excelsior and he and its editor, Sr. Julio Scherer, backed up by young reporters, had turned Excelsior into a critical forum. Under their leadership, Excelsinr stopped heing merely a mirror of the Government, beginning to report the couotry's social problems in more depth and to criticise opcnly the Government's policies.

This was too much for the Government of the day, headed by Sr. Luis Echeverria, and witb official connivance the removal of the dissidents was engineered. Sr. Becerra Acosta, aged 46, left Excelsior after 27 years with a particularly strong sense of bitterness since his father had beeo co-founder of the newspaper in 1917.

Within 16 months, bowever, Sr. Becerra Acosta was back with Uno Mas Uno which has become wbat Excelsior was in its liberal heyday, bnt more so. Uno Mas Uno was started with an initial capital of 8.5m pesos ($376,000) which Sr. Becerra Acosta raised from public and private financial institutions. He prides himself on refusing all "cheap" loans from parties interested in taming the newspaper and says that none of his reporters are paid by the sources of tbeir information—a well established practice to buy favonrs in Mexico.

Uno Mas Uno still has heavy debts, but not to the extent that its viability is threatened. Judging by the construction work still going on at the newspaper's offices, Uno Mas Uno plans to continue expanding. However it does not have the immense resources of a newspaper like Excelsior.

The title reflects the philosophical mind of Sr. Becerra Acosta. Tbe title refers to one (uno) journalist plus (mas) one (uno) reader whicb, he says, is not two people but one since both journalist and reader have the same interests of truth at heart. He compares it to the relationship between a husband and wife which, he says, is ideally one "unit."

"A reader," be says, "can be more intelligent than the editor of tbe newspaper he reads, bnt never less." He helieves that Mexicans do not get the pre they deserve and that they a treated as if their intelligen level was minimal.

As we were talking his secr tary brought in copies of t afternoon's newspapers. banner beadline across the fr page of Ultimas Noticias, afternoon edition of Excelsi read "Census goes ahead wi out incidents." He referred Mexico's 10-yearly census, wh had been held that day.

Sr. Becerra Acosta cast as the newspaper, saying: "Wh a headline! Why report it there were no incidents? implies that we are incapab of doing anything."

The readership of Uno M Uno is essentially young, terested in politics and to so extent intellectual. "Ours is newspaper open to all politic parties except fascism. It is n a commercial newspaper who goal is to enrich the owner a maintain the status quo. are concerned with nation interests." Journalists a printers at Uno Mas Uno ha shares in the newspaper.

WILLIAM CHISLET

[illegible]rge Gonzalez [illegible] Valle

[illegible] have worked so [illegible] of increasing [illegible] co-operation between [illegible] countries as Sr. [illegible] del Valle, the [illegible] the Spanish [illegible] the Centre for [illegible] American Monetary [illegible] which is based in [illegible] City, is the main [illegible] study group for the [illegible] and also acts as the [illegible] secretariat for the [illegible] meetings of the heads of Latin American central banks.

Sr. Gonzalez del Valle, a Guatemalan, has spent most of his professional life working with organisations concerned with furthering monetary co-operation. After studying economics at the University of San Carlos in Guatemala and obtaining degrees at the Universities of Columbia and Yale respectively, he worked in the Bank of Guatemala and in the Central American Bank for Economic Integration.

Experience

For four years he was an executive director in the International Monetary Fund (IMF) and for nine years executive secretary for the [illegible] American Monetary [illegible]. Since 1978 he has [illegible] head of CEMLA.

[illegible] was founded in 1952 [illegible] about after various [illegible] involved in starting [illegible] decided that Latin [illegible] needed greater co-ordination. Twenty of the original 45 founding members of the IMF in 1945 were Latin American.

Virtually every Latin American country is a member of CEMLA (usually represented by central bank presidents or finance ministers). Spain, which since the death of General Franco has been drawing nearer to Latin America, also belongs to the organisation.

One of Sr. Gonzalez del Valle's personal achievements, which he is loth of publicise, is that Cuba, long considered the black sheep of the continent, will most probably once more become a full member of CEMLA this September.

Cuba withdrew after its revolution. At the end of 1978 the Banco Nacional de Cuba started to express interest in returning to the fold. Sr. Gonzalez del Valle, who visited Cuba as a student, had a hard task convincing some countries that Cuba's membership should be renewed. Countries such as Paraguay could not forget that the guerrilla leader Che Guevara once headed the Cuban central bank.

Fourteen votes are needed to join and Cuba has about 20 votes in its favour.

"We are not a political body," stresses Sr. Gonzalez del Valle, who regards Cuba's entry as the acid test. Certainly, given the political differences which now exist in Latin America and the highly individual temperament of

Sr. Gonzalez del Valle

people from the continent, CEMLA has maintained remarkable unity.

CEMLA's publications are probably the best in Latin America. Sr. Gonzalez del Valle prides himself on making the bulletins tighter and more up to date in their statistics.

Co-operation is a word which crops up frequently in conversation with Sr. del Valle, whose ambition is to move onto the UNCTAD's committee on economic co-operation among developing countries.

He has prepared a preliminary report on the feasibility of global payments amoog developing countries for the UNCTAD committee and would like to establish mechanisms to achieve greater co-operation on a world wide basis.

WILLIAM CHISLETT

Jorge Cauas

JORGE CAUAS — economist, banker, university professor and former Finance Minister—is often credited with being the chief architect of Chile's economic policy — a policy whose successes have drawn grudging recognition even from those who deplore the country's authoritarian military government.

But 45-year-old Sr. Cauas is quick to point out that as Chile's Finance Minister he was merely part of a team of economists in 1974 who were assigned the task of economic restoration in a nation where inflation had climbed to more than 600 per cent.

The "shock treatment" applied by this team involved the replacement of socialist economic policies with the strict free market practices advocated by Milton Friedman. Now, six years later, inflation is down, production is up, Chile's exports are diversified, and foreign investment is booming.

His previous posts included the vice-presidency of Chile's Central Bank during the Christian Democratic Government of Presidente Eduardo Frei. He also held a teaching post at both the University of Chile and the Catholic University. Sr. Cauas had been serving as the director of the World Bank's Development Research Centre when he was appointed finance minister.

"Chile is now approaching the development level of many southern European countries, in terms of its industrialisation, cultural development and per capita income," he said, recently.

Sr. Cauas admits, however, that the economic recuperation did not occur as quickly as had been hoped.

"There was a coincidence of problems—the fall in the price of copper, which then accounted for 80 per cent of our exports, and the rise in oil prices. Our task was twn fold: to solve the current crisis and to create a base for the future."

Sr. Cauas believes that other countries could learn from Chile's economic experience, and noted that even Cuba has started to experiment with a limited free market, in some areas.

"Each country has its own problems, and its current situation must be analysed. It is impossible to transfer experience, but I believe there are three basic rules. One, the market must function freely; two, the Government must exercise financial discipline; and three, protectionist trade practices, which hurt the economy's efficiency, must end."

How these concepts are applied, according to Sr. Cauas, is best determined by each nation.

Profound debt

He says be owes a "profound intellectual debt" to Friedman, as well as to former professors —William Vickrey and Arthur Burns, who taught him during his graduate studies at Columbia University in New York. Never having attended the University of Chicago, Sr. Cauas is not, strictly speaking, a "Chicago boy," as are several of his colleagues in the Chilean Government.

For the past two years he has served as chairman of the board of the Banco de Santiago, one of the youngest aod most successful private banks in Chile. It is a post which offers the advantage of allowing his eoterprise to enjoy some of the policies he once helped to implement—such as the loosening of Central Bank cootrols of private banks. In addition, he has a good view of the movement of the Chilean economy.

When asked if he is satisfied with the progress of the economic plan so far, Sr. Cauas' reply is an emphatic "Si!"

MARY HELEN SPOONER

[illegible]ather Cesar Jerez

[illegible]ATHER CESAR JEREZ looks [illegible] the archetypal jolly friar of the sort that beams out from countless Victorian oil paintings or grins from wine labels in cellars round the world. To meet him casually, few would suspect that he is number three on the death list of a Right Wing terror squad in his native Guatemala or that, two years ago, he and his companions were told to quit their houses in El Salvador on pain of being exterminated.

As the first provincial superior of the Society of Jesus to be nominated in Central America, he leads an eventful life, attending his office on the outskirts of San Salvador every day but taking care to vary the place he chooses to sleep. "I try not to be near the door, either," he says with a laugh.

Fears

After the assassination of Archbishop Romero a few weeks ago, no-one is safe in El Salvador and death is a constant possibility for a man who has incurred the lasting hatred of the powerful forces of the extreme right throughout central America.

Despite the threats to him aod the deaths of many of his friends, he continues his task of organising the work of the Jesuits from Guatemala to Paoama, giving his views of the Central American situation to anyone abroad who will listen to him.

Periods of study in North Wales and the U.S. have given him a good command of English and he also speaks German. On a visit to Britain earlier this month he called on the Archbishop of Canterbury, visited Christian Aid, delivered a major speech, visited Mr. Normao St. John Stevas, and Mr. Nicholas Ridley at the Foreign and Commonwealth Office, and delivered a striog of radio broadcasts. His European visit also took him to Rome to see the Jesuit General Arrupe, the Netherlands and to Ireland.

Few of his hearers could have doubted that they were getting the most expert and humane view of a region which seems destined to be making news for years yet. The murdered Romero was a good friend of his, but he makes no bones about the disunity of the Church in his region where many bishops and lay people violently disagreed with Romero's desire for social chaoge and take issue with much of what the Jesuits are doing.

"The oew way chosen by the church has meant division within the church," Jerez says. "Among Christians there are those who tacitly or openly defend iojustice and would like to bring the Church back to the days of privilege."

Jerez knows that in Central America today people are murdered for saying much less trenchant things than that.

HUGH O'SHAUGHNESSY

Luis Inacio (Lula) da Silva

LUIS INACIO (Lula) DA SILVA emerged in Brazil during a successful strike by the metalworkers of Sao Bernardo do Campo, near Sao Paulo, in 1977 when strikes were not only forbidden — they still are — but also unthinkable.

At that time, a very brief and sudden stoppage of work (the first in 15 years), with the inspiration—if not with official support—of the metalworkers' union, brought Lula vividly to the attention of managers and the Press. Lula was revealed as a stolid, shrewd and determined union leader, hitherto unknown.

Lula, now 34, went to Sao Paulo around 1968—a young man sweating his way from Garanhuns, in the north-eastern state of Pernambuco, in a *pau de arara* (a battered truck that transported north-easterners to the big industrialised cities of the south), following his brother, nicknamed Frei Chico.

Frei Chico was caught by the police in 1975 and tortured. Years later Lula admitted, in a private conversation, that one of the reasons for his being driven to social militancy was the torture inflicted to his brother by the security forces.

The 1977 strike was successful in many ways: it inspired other strikes and Lula launched out as an independent union leader, non-Marxist and non-pelego (yellow) and, what looked well at the time to the management, completely opposed to ideological excesses, radicalism, student movements (a main driving political force until 1978), and the mixing of politics with labour struggles.

At that time a group of industrialists were fostering what would look as a new approach to Brazilian political and social problems; the emergence of Lula boosted the idea, later proved wrong, that an independent union leader would be welcomed if he kept clear of Communists and radicals. Lula, at that time, insisted upon direct negotiation with the managers, without official patronage, which was the norm.

This was indeed a brief interval. Lula was praised by managers for his ability, straight-forwardness and candid manner of pressing his demands and, above all, for his leadership skills. In the minds of some managers, Lula epitomised the ideal combination for an "authentic" union leader.

Authenticity

This authenticity proved quickly embarrassing to the same industrialists when Lula and his colleagues succeeded in making a second and more impressive strike, one year later. In the full might at the heighth of the dispute, the Government reacted and, appealing to the Labour Law, deprived Lula of his post as president of the union. The strike continued, but the issue then became a battle to win back Lula's — which was finally achieved.

Lula had became a national figure, wooed by journalists and politicians. In the 1978 parliamentary elections, he gave his support to certain MDB (opposition party) candidates. At that time, he claimed that he had labour prestige in the working class and political prestige in the middle class — an accurate view — and an indication of Lula's consciousness of his liabilities and limitations. After the election, Lula emphasised a need to organise a Workers' Party, insisting that to support mandatory delegates was not enough. What he proposed was a much larger share of decision-making in government to the workers.

This year, with his party already launched, he made another bid to raise wages and to settle what is anathema to both management and government—one-year job security—and organising an impressive strike, with the support of other metalworker unions. Lula rallied massive support and the 40-day strike became the longest in Brazilian history, being strongly opposed by the Government, which seemed, at times, to be terrorised—at one stage, helicopters made low-raoge dives over assemblies of workers.

The strike, made without the aid of pickets, inspired a strong movement of solidarity in the towns; funds were raised to support the families of strikers. But, eventually, Lula was deprived of his post in the union and jailed, pending a formal charge of inciting disorder, under the State security laws. He was freed only when the strike ended, weeks after.

Lula (he is married, has two sons) has managed to attract support of many union leaders, but not as many as he would like, and he has firmly established his Workers Party. Lula also has the sympathy of the Catholic Church, intellectuals and students—and attracts the open hostility of the Communist Party.

Lula has shown a high degree of leadership, among a wide range of workers. He is passionate in his manner of speaking, usiog harsh language and, at times, is almost incautious. He is the first union leader in Brazilian history who has managed to unite people of widely differing social strata.

He is, furthermore, a man who has out-witted the Government mastermind, General Golbery. And Lula's party, which the Governmeot tried to choke through his jailing, has won, instead, more impetus.

Lula has now changed roles. From an unknown leader, he could become a national party leader.

CLAUDIO ABRAMO

Press still faces fierce censorship

THE MEDIA

WILLIAM CHISLETT
Our Mexico City Correspondent

JOURNALISM IS a dangerous profession in Latin America. The past two years have seen the murder of a Nicaraguan newspaper editor by Right-wing gunmen; the killing of a U.S. television reporter by a Nicaraguan National guardsman; the fleeing into exile of the editor of the Buenos Aires Herald after he and his family received death threats; the expulsion from Argentina of another newspaper editor after two years under house arrest; the jailing of a Brazilian journalist for poking fun at a Brazilian military hero; numerous bomb attacks on editorial offices and magazine closures.

Not surprisingly, foreign correspondents check into hotels in authoritarian countries like Guatemala under false names and try not to state their profession when filling in official forms. Not that these precautions offer much protection since security forces quickly size up visitors.

The Latin American Press—with a few exceptions in countries like Mexico, Venezuela and Costa Rica, which have varying degrees of democracy—is ferociously censored. It would be naive to expect anything else, since those countries where censorship is the heaviest are deeply entrenched military dictatorships with a vested interest in keeping the lid on their respective political systems.

In Paraguay, for example, where Gen. Stroessner has been in power for 26 years, there is—in theory—Press freedom. The country's 1967 constitution provides all the classic safeguards against violations of human rights—including Press freedom.

But the military regime there has kept most of the country in a permanent state of siege since Gen. Stroessner came to power. The state of siege, justified on the grounds of "internal disorder," is renewed every 90 days. An atmosphere of terror is thus maintained which stifles dissenting voices. Communism is the bogey and is the pretext used for persecuting publications of every political stamp other than those obsequious to the Government.

A typewriter is effectively considered a weapon in countries like Paraguay, and those journalists who use it to speak out invariably have a real weapon turned on them. Such was the case of Sr. Pedro Joaquin Chamorro, editor of the Nicaraguan daily La Prensa, and certainly no Communist, who was ambushed by gunmen on his way to work in January, 1978.

Public reaction

Sr. Chamorro, a wealthy lawyer, turned his newspaper into the country's forum of opposition to the Somoza dynasty. But in that particular incident his murderers underestimated the public reaction to his death, for it acted as the catalyst in uniting the diverse elements of the movement against Gen. Somoza and sparked off a popular insurrection to overthrow him.

Ironically, it took another journalist's death to bring the insurrection to an end with Gen. Somoza's downfall. The murder of Bill Stewart, a reporter for the American Broadcasting Company, who was shot by a National Guardsman at point-blank range, was the final straw for the Carter Administration, which withdrew its wavering support for Gen. Somoza. The Nicaraguan dictator fled into exile and the Sandinista guerrillas marched triumphantly into Managua, the country's capital.

Now, a year after the ousting of Gen. Somoza, the wheel is in danger of coming full circle. Television and 15 out of Nicaragua's 20 radio stations are controlled by the Left-wing Sandinistas, instead of the Somoza family, and the Sandinistas also have their own newspaper *Barricada*, which is the Government's mouthpiece. *La Prensa*, whose offices were destroyed during the war by National Guardsmen and which for so long was the symbol of independent, principled opposition nearly fell under the sway of the Sandinistas.

La Prensa's departure into the Sandinista camp was averted by the dismissal of the newspaper's editor after a quarrel within the Chamorro family over whether the paper should continue its independent pro-business line or move closer to the Sandinistas. Now it will continue as before and a new pro-Sandinista newspaper, *El Nuevo Diario*, has been founded.

The new masters have eased out criticism on their left. The editor and two journalists of *Pueblo*, an extreme Left-wing newspaper, were imprisoned for four months this year for counter-revolutionary activities. They were found guilty of being behind strikes.

In Mexico a journalist's life is not a dangerous one, but the amount of Press freedom is nevertheless limited.

The reform-minded administration of President Jose Lopez Portillo aspires—in public—to regenerate the country's fossilised political system, dominated for the past 50 years by the Institutional Revolutionary Party (PRI), but the reality is that the Mexican Press is dull and unimaginative. It is loath to criticise the Government—more as a result of self-censorship than formal scrutiny—and shows an almost obscene interest in high society events, given the country's appalling social problems.

There is no censor, as such, in Mexico who wields a blue pencil through copy before it is published. The situation is infinitely more subtle than that.

News stands display a wide variety of publications, from *Excelsior*, the leading daily newspaper, to liberal weekly magazines like *Proceso*, soft porn magazines and partisan offerings like the Communist Partys newspaper—all of which gives the appearance that there is wide Press freedom in the country.

Deceptive

But it is a deceptive freedom. As a rule of thumb the greater the circulation of a publication or the wider the audience of a TV or radio station, the more restricted it is. It is one thing for the Communist Party's newspaper, with its small circulation and limited distribution, to attack the Government and quite another for a widely circulated daily to do so. Most of them although privately owned, are too comfortably close to the official world anyway to want to criticise it.

On June 9, for example, 70,000 teachers from 20 States, according to an official figure, stopped work to hold marches and meetings to demand better pay and a freer trade union.

Radio VIP, the country's only English language radio station, was told that morning in the regular telephone call it receives from a Government official before its new broadcasts, that it was to make no mention at all of the teachers' strike. It was reported in the morning's newspapers, including The News, the English language daily.

There was no logic behind the order—which if disobeyed could have resulted in the station losing its licence—other than the Government's conviction that the spoken word has more impact than the written—and also probably a wish not to upset the foreign community in Mexico.

Two days earlier the PRI sponsored a conference called "Day of Freedom of the Press" which featured lots of bombastic speeches about press liberty.

Similarly, when the Danish and Belgian embassies were occupied in February by a group of peasants demanding agrarian reform and an investigation into "missing" people, VIP was told that it was only to air the involvement of the peasants and not to go into the background of their demands.

Generally, however, an official voice is not needed to inform the media of what it can and cannot do because over the years a tacit understanding has grown up between the press and the Government as to what is permissible and what is not.

When a news broadcaster at Radio VIP announced in May that the Agrarian Reform Minister was leaving his post to run for the PRI in the elections for State Governor, she was quickly reprimanded, not by a government official but by her colleagues, for breaking the unwritten rule that no announcements of this nature are aired until they are "official"—i.e. until an announcement had been made, in the case by the PRI.

At the time it was common knowledge that the Minister was leaving and indeed it had been reported in several newspapers, but nevertheless the broadcaster, unaware of this rule, was reproached by her colleagues of longer standing.

Journalists in Mexico, as in many other Latin American countries, are also encouraged to toe the official line by a system of "parallel salaries." Reporters are paid not only by their employers but sometimes by the source of the news they are covering in order to guarantee favourable and prominent coverage, particularly if it is a Ministry or Government agency.

Reporters are poorly paid, so the temptation to supplement their income is greater. During the Echeverria administration it is said that "parallel salaries" reached as high as $2,000 a month. The practice continues, but to a lesser degree under the present government.

Another favourite practice involves paying for an article just as if it were an advertisement. It is printed as an ordinary news story but mention is made of the fact that it was paid for.

Not all the media, however, is subject to either a strong dose of self-censorship or a voice at the end of a telephone advising them what to publish or broadcast.

There are three notable exceptions — all of which are publications founded by journalists ousted from *Excelsior* in 1976 after a coup within the establishment newspaper to purge it off its liberal editorial staff. Their removal was engineered by the non-editorial staff of the paper, which is organised as a co-operative. With the connivance of the Government, which was fed up with the critical tone of the paper, they voted to cease employing the editor and the regular columnists.

First, Sr. Julio Scherer, the fired editor, founded the weekly magazine *Proceso*. Then Sr. Manuel Becerra Acosta started the newspaper *Uno Mas Uno* and last January Sr. Samuel del Villar launched a fortnightly magazine *Razones*. All are carrying on the constructive criticism and investigative reporting started by Excelsior and have succeeded in winning respect for their integrity.

They have been left alone by the government, which can point to the three publications as proof that there is real Press freedom in Mexico. There was one incident in 1978, however, involving the author of an article in *Proceso* about the armed forces which shows the sensitivity of some subjects.

Sr. Ramiro Bautista, a former Army officer and now a university lecturer and member of the Mexican Workers Party, published part of his thesis on the Mexican armed forces in *Proceso*. It denounced the army for its repression and alienation from the people.

He was kidnapped for six days and repeatedly questioned about the article and his military contacts. Sr. Bautista believes that his kidnappers were a paramilitary group known as the (White Brigade). He was released unharmed.

Television, by virtue of its large and virtually classless audience, is more restricted than the Press. Again it is more a question of self-censorship and a reluctance to test new ground.

Televisa, a private company whose major shareholders include Sr. Miguel Aleman, a former President and a multi-millionaire, and Grupo Alfa, the country's largest holding company, runs four of the six TV channels. Of the other two, one is Government-run and one falls under the aegis of the Education Ministry.

Notimex, the official Mexican news agency, supplies all TV channels with news about the country. TV programmes are a diet of imported U.S. programmes — soap operas, Westerns and crime serials — and very few in-depth programmes about Mexico.

The Government is also guaranteed, if it so wishes, one eighth of broadcasting time for its own purposes. In 1969 a law was approved which enabled commercial TV and radio stations to cede up to 12.5 per cent of their time to the Government instead of paying 25 per cent tax on gross income.

Striking journalists in Brazil carry away an injured reporter when hundreds of pickets tried to halt the distribution of Sao Paulo newspapers.

Keen interest among world's bankers

FOREIGN BORROWING

FRANCES GHILES

LATIN AMERICAN borrowers have loomed large in the euromarkets since the beginning of the last decade, absorbing all along a large share of the total volume of eurocredits and, at least in recent years, floating usually over $1bn worth of international bonds.

Last year, the six major Latin American borrowers—Argentina, Brazil, Chile, Mexico, Peru and Venezuela—raised more than $24bn worth of loans, almost a third of all syndicated credits during 12 months.

The largest borrower was Mexico ($8bn) followed by Venezuela ($6½bn) and Brazil (just under $6bn).

The volume of bonds these three countries raised was much smaller ($1.2bn) but it accounted none the less for 40 per cent of all bonds raised in the international capital markets by Developing Countries.

Latin American borrowers thus remain at the forefront of many international bankers' minds but perceptions about "quality" of the various borrowers are undergoing some changes. Mexico and Venezuela pose no fundamental problems to the banks. They are both major exporters of oil, a commodity whose price has risen sharply during the past 12 months. They face constraints on the speed at which they can grow but the banks have full confidence in their ability to repay.

Earlier this year, Venezuela re-assessed its overall need for borrowing external capital. The country's borrowing requirements for this year were cut back from an initial figure of $2½bn to a figure of $1½bn. Thus, the next 24 months will be devoted to consolidating the capital flows, a task which should be made easier by the fact that the country's current account is no longer under the pressure it was last year.

As a large oil producer, Mexico faces no particular constraint on its borrowing. Mexican borrowers have, for some years been noted for their innovative approach. They have resorted to a number of new devices which has helped their borrowing programmes.

Last year, Mexico tried to gain access to the U.S. insurance pool of funds. In recent weeks the State oil company, PEMEX, has floated its first fixed interest dollar eurobond, very successfully. Mexican borrowers have access to the Deutsche Mark sector of the bond market, but the syndicated credit market remains by far the greatest source of funds: so far this year, $1.72bn worth of funds have been raised through this channel and Mexico can be expected to raise money on some of the finest terms available.

The country's Comision Federal de Electricidad has just awarded a mandate to Westdeutsche Landesbank to raise a $200-$300m credit on a descalating spread of ⅝ per cent above the London interbank rate for the first five years, dropping to ½ per cent for the last five.

Another country which is much in favour with the banks is Argentina. The terms of the latest jumbo loan to Banco de la Nacion clearly underline this favour: a spread of ½ per cent above the interbank rate for life of the credit which is five years.

When discussing Latin American borrowers, the spotlight inevitably falls on Brazil. After being, for many years, the "wunderkind" of the international banking community, bankers find themselves well and truly locked into Brazil. The country's debt has soared to over $50bn while the debt service ratio reached 60 per cent of hard currency exports last year.

BRAZIL'S DEBIT SERVICE SCHEDULE FOR THE NEXT FIVE YEARS
(At December 31, 1979; figures in $ bn)

	Payments due				
Principal	**1980**	**1981**	**1982**	**1983**	**1984**
Private debt	...	3.4	3.2	2.5	1.2
Public debt*	4.0	3.6	3.5	2.8	3.1
TOTAL PRINCIPAL	6.7	7.0	6.7	5.3	4.3
Interest					
Private debt	2.1	1.7	1.2	0.8	0.4
Public debt*	4.2	3.7	3.1	2.7	2.4
TOTAL INTEREST	6.3	5.4	4.3	3.5	2.8

* Includes private debt guaranteed by the public sector.

Recalling the country's last but one Minister of Finance, Sr. Karlos Rischbieter is of meagre consolation. He pointed out, not long before resigning last January, that all non-oil producing LDCs are in debt to such an absurd degree that "that it is starting to create banking problems; if oil reached $35 a barrel, it is not Brazil which will take the initiative to renegotiate the debt—the whole world will have to sit down."

Whatever Brazil's exact financing needs are this year, the latest syndicated credit for Electrobras makes it clear that the country will have to pay a higher spread for its money: this $300m loan boated a spread of 1⅞ per cent for eight years. At the end of last year, Brazilian borrowers were still raising money on spreads below 1 per cent.

Brazil's negotiating position is bound to be weakened in the months to come by the run down in the country's hard currency reserves. This has been the result of Brazil trying to resist the stiffer terms which the banks have sought to impose on its borrowers. This resistance has apparently been to no avail. At least the Brazilian authorities have had the relief of seeing U.S. interest rates drop very significantly since Easter: even so, raising money is going to be difficult.

The going could become rough if the price of oil rises further and if Brazil's exports fail to rise. But the banks are locked in.

Rolling over debt might not be to their liking but there may be no other way out. Default is unthinkable as it would shake confidence in the international banking system and test it too severely.

How the international banking community faces up to what more than one banker feels could be a major challenge will have widespread repercussions in the international capital markets.

There is a group of borrowers in Latin America whose problems have only come to the fore of late, partly maybe because of Jamaica's well publicised brush with the IMF last spring, the Caribbean.

Four key Caribbean countries are wrestling with balance of payment difficulties which could worsen this year as a result of soaring oil bills. They are the Dominican Republic, Jamaica, Guyana and Haiti.

Guyana has the heaviest debt burden of the four. The public external debt is now equal to about 100 per cent of gross national product while debt service payments absorbed just over one-third of hard currency exports last year. The Extended Financing Facility, arranged last year with the IMF, is no longer in effect because of the country's failure to meet a number of the targets set by the fund.

Guyana's difficulties, while slightly less acute, are still very great. Aid from the IMF was cut off last December, here again as a result of the country's failure to meet agreed targets.

Negotiations between the IMF and Jamaica were recently broken off because Jamaica felt that some of the conditions set by the IMF were unacceptable.

Both these countries have been hit by a combination of the fall of value of their major export (sugar in the case of Guyana and bauxite in the case of Jamaica) and a massive increase in their oil bill. The bill absorbed 50 per cent of Jamaica's total hard currency receipts last year. This figure alone points to the continuing difficulties such countries face.

While some countries in Latin America which have faced difficulties in recent years over their economy—and hence their debt, have been able to overcome them, whatever the social cost (Peru), bankers feel it unlikely that some of the smaller ones will find easy ways out.

Latin America thus offers today a complete range of Third World borrowers and attendant problems: from rich Mexico and Venezuela to the semi-bankrupt Caribbean islands and, in between, the great symbol of a country which ran up a massive debt, developed its economy remarkably but nonetheless faces a very delicate task during the next few years. Brazil. The area in general will continue to loom very large in the minds of international bankers.